



**AGENDA**

**THE UNIVERSITY OF WEST FLORIDA  
BOARD OF TRUSTEES**

**Audit & Compliance Committee Meeting  
February 13, 2020**

**University of West Florida  
UWF Conference Center, Bldg. 22  
11000 University Parkway, Pensacola, FL 32514**

**Call to Order/Roll Call. . . . . Robert Jones, Chair**

**Greeting . . . . . Robert Jones**

**Action Items:**

1. Acceptance of UWF Internal Auditing Reports Issued: Scholarships: 18-19\_005 and Performance Based Funding Data Integrity: 19-20\_003
2. Acceptance of the Internal Management and Accounting Control and Business Process Assessment, Crowe, LLP
3. Acceptance of NCAA Agreed-Upon Procedures Engagement of Intercollegiate Athletics
4. Acceptance of External Audit: Financial Statement Audit – Florida Institute of Human and Machine Cognition (IHMC) for Fiscal Year Ending June 30, 2019
5. Acceptance of External Audit: WUWF-FM Financial Statement Audit for Fiscal Year Ending June 30, 2019
6. Acceptance of External Audit of Financial Statement of Direct Support Organization – Business Enterprises, Inc.
7. Acceptance of External Audit of Financial Statement of Direct Support Organization – University of West Florida Foundation, Inc.
8. Acceptance of Internal Auditing PCard Audit Reports: Quarter 2 Update (October – December 2019)

**Information Items:**

1. Florida Small Business Development Center (FSBDC) Financial Examination 2018
2. Update from Internal Auditing and Management Consulting
  - a. Status of Internal Audits in Progress
  - b. Management Advisory Services
  - c. Miscellaneous
3. Office of Compliance and Ethics Update on Activities

**Other Committee Business:****Adjournment**

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
February 13, 2020

**Issue:** UWF Internal Auditing Reports Issued

**Proposed action:** Acceptance

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**Background information:**

Internal Auditing & Management Consulting completed two audits during the period October 1, 2019 through January 31, 2020: 1) Scholarships and 2) Performance Based Funding Data Integrity 2019.

**Scholarships: 18-19\_005**

Our audit period was Fall Semester 2017 through Summer Semester 2018, and was part of the approved work plan for 2018/19. We issued the audit report on December 6, 2019. The audit's primary objectives were to evaluate internal controls over policies and procedures; compliance with federal, state, and University regulations; packaging and award process; tax reporting, application of aid, eligibility, and collaboration between units to identify and centrally report the extent of scholarships available and awarded.

**Results:**

We noted that internal controls were strong. We found that one department, the Center for Applied Psychology, had awarded a University-funded scholarship for which they were unable to provide any documentation to demonstrate that the award was made in accordance with established criteria; however, the Center had since that time been suspended and no recommendation was necessary.

**Recommendation:** Acceptance of the Internal Auditing report.

**Implementation:** None.

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees

**Performance Based Funding Data Integrity: 19-20\_003**

Our audit period was "as of September 30, 2019." The audit was part of the approved work plan for 2019/20 and required by the Board of Governors. We issued the audit report on January 27, 2020. The audit's objectives were to 1) evaluate internal controls designed to ensure the accuracy, completeness, and timeliness of data submissions to the Board of Governors, and 2) provide an objective basis of support for the President and Chair of the Board of Trustees to sign the representations included in the *Performance Based Funding – Data Integrity Certification*, to be filed with the Board of Governors by March 2, 2020.

**Results:**

We found that internal controls over all processes were strong. We made no recommendations.

**Recommendation:** Acceptance of the Internal Auditing report.

**Implementation:** None.

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees

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**Supporting documents**

UWF 18-19\_005 Scholarships

UWF 19-20\_003 Performance Based Funding Data Integrity 2019

**Prepared by:** Cindy Talbert, Interim Internal Audit Director, ctalbert@uwf.edu, 474-2638

**Presenter:** Cindy Talbert



## EXECUTIVE SUMMARY

We audited scholarships for the period of Fall Semester 2017 through Summer Semester 2018. This audit was included as part of our 2018/19 audit work plan, determined by our annual risk assessment. Our objectives were to evaluate internal controls over:

- Policies and procedures;
- Compliance with federal, state, and University regulations;
- Packaging and awarding process;
- Tax reporting (1098-T forms);
- Application of aid (including timeliness);
- Eligibility (meeting award requirements);
- Collaboration between campus units to identify and centrally report the extent of scholarships available and awarded.

Audit fieldwork began on April 9, 2019, and ended on October 17, 2019. Our audit was conducted in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

## BACKGROUND

The University of West Florida (UWF) strives to make education affordable for its students, through the offering of multiple types of financial assistance. Financial aid comes in the form of scholarships, grants, loans, and student employment. Scholarships are available through multiple University units, and are awarded based on academic achievement, athletic skills, special talents, or demonstrated financial need. Scholarships are funded through various sources, including alumni, private donors, federal and state government, and University general funds. Some scholarships are renewable, while others are one-time awards.

For the audit period, which coincides with financial aid year 2017 – 2018, UWF issued 6,866 awards (scholarships and waivers) to 4,471 students, resulting in approximately 44.9% of the student population receiving some type of aid during that financial aid year.

The Office of Financial Aid and Scholarships is central to the scholarship awarding process, as it is responsible for packaging and disbursing scholarship funds; however, there are multiple functional University units responsible for awarding their area's scholarships. Generally, these units base their awarding decisions upon established scholarship criteria to determine a student's eligibility. Students are ultimately awarded based upon multiple factors, including their ability to meet those criteria, as well as the number of awards available, and the amount of scholarship funds available. Once students have been selected to receive a scholarship, their information is forwarded to the Office of Financial Aid and Scholarships, where it is reviewed and disbursed in accordance with federal, state, and institutional guidelines. Aid is applied in the Controller's Office, specifically, the Student Accounts and Cashiers Office.

The awarding process is commonly facilitated through the UWF Scholarship Portal, linked to an electronic database of the University's scholarship opportunities, with the support of scholarship administrators. Each college, department, or functional unit should designate a scholarship administrator. They serve as the primary point of contact for their area's scholarships. The Office of Financial Aid and Scholarships communicates directly with this designee regarding the specific scholarships, including completion of their awarding process, as well as any other issues that may arise. The culmination of the scholarship administration process is the successful awarding of the most qualified students through an objective review process, with aid disbursed and applied in a timely manner.

## Notable Strength

The Office of Financial Aid and Scholarships has implemented the UWF Scholarship Portal, which is a cloud-based software system that is used to manage and award scholarships. The Portal provides students a single location to apply for both institutional and external scholarships. Students are matched to scholarship opportunities for which they qualify, based on the data imported from the Banner Student Information System. Additionally, the Portal provides scholarship administrators a more efficient way to award



## Internal Auditing & Management Consulting

### Audit: Scholarships

Report # UWF18-19\_005

Date: December 6, 2019

the most qualified students with scholarship opportunities, by centralizing a location to manage their scholarships. The Portal allows scholarship administrators the ability to establish user roles and responsibilities, scholarship timelines, criteria, award amounts, and the number of awards per scholarship. The Portal has increased efficiency in the scholarship application and administration processes.

### KEY OBSERVATIONS

We interviewed key personnel in each functional area in order to identify the existence of critical administrative controls. Policies and procedures had generally been formalized in writing. No instances of non-compliance with federal or state laws or regulations, or institutional policies were noted. Donor agreements were reviewed for consistency with awards. Staff with scholarship awarding responsibilities were found to be well-informed and coordination between departments and the Office of Financial Aid and Scholarships was effective. Internal controls over most scholarship activities were

strong; however, we noted the following:

- Document retention is essential to the scholarship awarding process. This ensures that compliance with any award criteria established by the donor or institution administrators can be verified. We found that most awarding areas had fully formalized their procedures in writing and had on hand all items requested for audit purposes; however, in one instance, we found a University-funded scholarship, awarded by the Center for Applied Psychology, for which the department was unable to provide any documentation to demonstrate the award was made in accordance with established criteria.

Since the time that this scholarship was awarded, the Center for Applied Psychology has been suspended; therefore, no recommendation is necessary.

We appreciate the cooperation, professionalism, and responsiveness of employees in the Office of Financial Aid, UWF Advancement, the Controller's Office, and numerous academic areas who were involved in the audit.

Respectfully submitted,

A handwritten signature in black ink that reads 'Cynthia Talbert'.

**Cynthia Talbert, CFE, CIA, CPA, CRMA**  
**Interim Internal Audit Director**



## Internal Auditing & Management Consulting

**Audit: Scholarships**

**Report # UWF18-19\_005**

**Date: December 6, 2019**

### **REPORT PROVIDED TO THE FOLLOWING:**

Dr. Martha Saunders, President  
Mort O'Sullivan, Chair BOT  
Bob Jones, Chair Audit & Compliance Committee  
Dick Baker, Audit & Compliance Committee  
Robert Sires, Audit & Compliance Committee  
Dr. George Ellenberg, Provost/Sr. Vice President  
Vice President Kim LeDuff  
Vice President Howard Reddy  
Vice President Betsy Bowers  
Dean Denise Seabert  
General Counsel Pam Langham  
Jaime Hoelscher, Manager, FL Auditor General  
Ken Danley, Supervisor, FL Auditor General  
Lori Clark, BOG Compliance and Audit Specialist  
Rebecca Luntsford, BOT Liaison



## **EXECUTIVE SUMMARY**

We audited Performance Based Funding Data Integrity as of September 30, 2019. This audit was included as part of our 2019/20 audit work plan, conducted in accordance with a Board of Governors (BOG) directive to state universities. Our specific objectives were to:

- Evaluate internal controls designed to ensure the accuracy, completeness, and timeliness of data submissions to the Board of Governors, and
- Provide an objective basis of support for the President and Chair of the Board of Trustees to sign the representations included in the *Performance Based Funding – Data Integrity Certification*, to be filed with the Board of Governors by March 2, 2020.

Audit fieldwork began on November 7, 2019, and ended on January 17, 2020. Our audit was conducted in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

## **BACKGROUND**

The BOG has broad governance responsibilities affecting administrative and budgetary matters for Florida’s 12 public universities. Beginning in fiscal year 2013-14, they instituted a performance funding program that is based on 10 metrics. These metrics are used to evaluate the institutions on a range of issues including cost per degree, retention rates, graduation rates, and job placement, among other things.

Each university is offered a “Board of Trustees Choice Metric,” enabling the institution to select a metric that improves their scoring with respect to

performance funding, based on their unique strengths. Since inception, the University has elected to use the metric “Percentage of Adult Undergraduates Enrolled,” defined as the percentage of undergraduates enrolled during the fall term who are at least 25 years old at the time of enrollment. Next year this metric will be replaced with a newly designed metric, “Percent of Baccalaureate Graduates Completing 2+ High Impact Practices.”

Much of the information that is used by the BOG in their calculation of the metrics is through 6 data files that are submitted periodically by the universities. This includes the:

- Admissions File
- Degrees Awarded File
- Hours to Degree File
- Retention File
- Student Financial Aid File
- Student Instruction File

Data that is ultimately submitted to the BOG through these electronic submissions is initially entered through the Admissions, Registrar, Financial Aid, and Controller’s departments into the Banner Student system. The Office of Institutional Research (IR) has been delegated responsibility for compiling the data into tables according to BOG specifications, conducting a quality review of the data prior to submission to the BOG, and timely submission of the files.

In accordance with BOG Regulation 3.007 “State University System (SUS) Management Information Systems,” the President has formally appointed an Institutional Data Administrator, who is the Director of Institutional Research. The Director has



**Internal Auditing & Management Consulting**  
**Audit: Performance Based Funding Data Integrity - 2019**  
**Report # UWF19-20\_003**  
**Date: January 27, 2020**

frequent contact with the BOG Institutional Research staff, strengthening his understanding of their complex requirements for the data in the files.

Audits similar to this one were conducted in 2014, 2015, 2016, 2017, and 2018.

**OBSERVATIONS**

We interviewed key personnel involved in the

processes that end with submission of data to the BOG that are used in the computation of metrics. We examined written policies and procedures and other related documents. We evaluated internal controls that were in place and used the results to design audit tests. Extensive audit testing was conducted on data submitted to the BOG in order to evaluate accuracy and completeness. We found that internal controls over all processes were strong. We therefore make no recommendations.

We appreciate the cooperation, professionalism, and responsiveness of the employees who were involved in the audit.

Respectfully submitted,

A handwritten signature in black ink that reads 'Cynthia Talbert'.

**Cindy Talbert, CFE, CIA, CPA, CRMA**  
**Interim Internal Audit Director**

**REPORT PROVIDED TO THE FOLLOWING:**

- Dr. Martha Saunders, President
- David E. Cleveland, Chair BOT
- Bob Jones, Chair Audit & Compliance Committee
- Dick Baker, Audit & Compliance Committee
- Robert Sires, Audit & Compliance Committee
- Dr. George Ellenberg, Provost/Sr. Vice President
- Dr. Kimberly McCorkle, Vice Provost
- Dr. Kim LeDuff, Vice President
- Betsy Bowers, Vice President
- Melanie Haveard, ITS Executive Director and CTO
- Keith King, Institutional Research Director
- Jeffrey Djerlek, Associate Vice President
- Shelly Blake, Associate Vice President
- Adam Burgess, Interim Registrar
- Katie Condon, Admissions Director
- Shana Gore, Enrollment Executive Director
- Jaime Hoelscher, Manager, FL Auditor General
- Ken Danley, Supervisor, FL Auditor General
- Julie Leftheris, BOG Chief Inspector General
- Lori Clark, BOG Compliance and Audit Specialist
- Rebecca Luntsford, BOT Liaison

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
February 13, 2020

**Issue:** Internal Management and Accounting Control and Business Process Assessment, Crowe, LLP

**Proposed action:** Acceptance

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**Background information:**

The Florida Board of Governors engaged Crowe LLP to perform a system-wide “Internal Management and Accounting Control and Business Process Assessment.” The purpose of this Assessment was to evaluate existing internal controls and review business processes to identify any areas of risk for the State University System. Their focus was on financial and operational risks, and regulatory compliance risks. A report was also issued for all State universities combined.

**Results:**

While Crowe LLP did not issue an opinion on UWF’s system of internal controls, they described specific opportunities to improve controls or risk mitigation activities. These opportunities can be summarized as follows:

Risk Rating of “Moderate”:

- Processes for executing shared service contracts should be documented.
- Vendor set-up operating procedures should be documented, including vendor performance monitoring.
- The cybersecurity incident response program should be updated.

Risk Rating of “Low”:

- Personnel should use encrypted devices, their use should be restricted, and removable media should be centrally managed.
- Security awareness training should be required for users annually.
- A policy should be developed related to security controls over cell phone email access.

**Recommendation:** Acceptance

**Implementation Plan:** None

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees.

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**Supporting documents:**

Internal Management and Accounting Control and Business Process Assessment – Crowe LLP

**Prepared by:** Cindy Talbert, Interim Internal Audit Director, ctalbert@uwf.edu, 474-2638

**Presenter:** Cindy Talbert



Smart decisions. Lasting value.™

**Florida Board of Governors State University System**  
**University of West Florida**  
**Internal Management and Accounting Control and Business**  
**Process Assessment**  
**November 2019**

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## I. Executive Summary

The Board of Governors (the “Board” or “BOG”) of the Florida State University System (SUS) engaged Crowe LLP to perform a system-wide “Internal Management and Accounting Control and Business Process Assessment”. The purpose of this Assessment was to evaluate the existing internal controls and review business processes to identify any areas of risk for the SUS.

The scope of our assessment was focused on financial and operational risks, and regulatory compliance risks among the twelve universities within the SUS.

We have presented the results of our assessment of the University of West Florida (UWF) in this report. We used our risk rating methodology to evaluate and score sixty-two (62) risks statements grouped into twelve categories. Our conclusions were based on the level of residual risk and any control gaps or weaknesses noted during our assessment. Residual risk refers to the level of risk after considering the internal controls in place and other activities implemented to mitigate that risk. An in-depth discussion of our approach and rating methodology can be found in the *Assessment Overview* section of this report.

### Conclusion

While the scope of our procedures precludes us from issuing an opinion on UWF’s system of internal controls, based on our procedures we noted no risk categories with a high level of residual risk, or significant control gaps or weaknesses in UWF’s control structure.

We concluded that nine of the twelve risk categories we evaluated had a minor residual risk rating, and three categories had a low residual risk rating. We also found several opportunities for UWF to strengthen internal controls, identified as “observations” in the table below. We have highlighted these observations as specific opportunities to improve controls or risk mitigation activities. The risk rating for each observation is indicative of the risk to university objectives posed by this gap in internal controls and is separate and distinct from the residual risk ratings in each category. Additional information on these observations, our recommendations to address them, and UWF management’s responses can be found in the *Observations and Recommendations* section of this report.

**UWF Observations Summary**

Risk Category	Description	Risk Rating
Procurement	<b>1. Contract Management – Shared Services Contracts.</b> UWF has not established roles and responsibilities for managing shared service contracts. As a result, it was unclear how UWF established contract ownership and vendor performance monitoring, as well as how it verified that appropriate insurance, data privacy, and intellectual property protections were in place.	Moderate
Procurement	<b>2. Policies and Procedures – Vendor Setup and Monitoring.</b> UWF did not have documented standards or processes for vendor performance monitoring, as stipulated in BOG regulations 18.001, subsection (f). Therefore, it was unclear what standard practices, roles, and responsibilities had been implemented.	Moderate
Information Security	<b>3. Business Continuity Management – Incident Classification.</b> UWF does not have documented procedures or a classification schema to prioritize and respond to cybersecurity incidents. This increases the risk that UWF may not be able to appropriately and effectively respond to threats.	Moderate
Information Security	<b>4. Data Protection – Employee Removable Media.</b> UWF has not established a policy or technology controls to manage employees' and contractors' use of removable media, (i.e. USB drives). This increases the risk of unauthorized disclosure of confidential, personally identifiable, or other sensitive information through loss or misuse of the storage media.	Low
Information Security	<b>5. Employee Management – Employee Security Awareness Training.</b> UWF does not provide security training to employees on a reoccurring basis. If employees are not prepared to identify emerging and evolving threats and tactics, it increases the likelihood of a successful breach.	Low
Information Security	<b>6. Data Protection – Employee Mobile Device Management Policy.</b> UWF has not documented a Mobile Device Management policy for employees and contractors which details requirements for mobile device security. This increases the risk that sensitive UWF information may be compromised if a malicious actor gains access to the phone	Low

## II. Assessment Overview

The Board of Governors (the “Board” or “BOG”) of the Florida State University System (SUS) engaged Crowe LLP to perform a system-wide “Internal Management and Accounting Control and Business Process Assessment”. The purpose of this assessment was to evaluate the existing internal controls and review business processes to identify any areas of risk for the SUS. We performed these consulting services in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. These services do not constitute an audit, review, or examination in accordance with standards established by the American Institute of Certified Public Accountants, and therefore, Crowe did not express an opinion on the accuracy or efficacy of the material assessed during the performance of these services.

The scope of our assessment was focused primarily on financial and operational risks, and secondarily on regulatory compliance risks. It included the twelve universities within the SUS as follows:

- Florida Agricultural and Mechanical University (FAMU)
- Florida Atlantic University (FAU)
- Florida Gulf Coast University (FGCU)
- Florida International University (FIU)
- Florida Polytechnic University (FPU)
- Florida State University (FSU)
- New College of Florida (NCF)
- University of Central Florida (UCF)
- University of Florida (UF)
- University of North Florida (UNF)
- University of South Florida (USF)
- **University of West Florida (UWF)**

This report represents the results of our assessment of the University of West Florida (UWF). As part of our assessment, we obtained an understanding of BOG regulations, university policies, procedures, processes and business requirements. In addition, we sent surveys and conducted interviews with various members of UWF management. Based on this information, we developed a risk and control assessment, the results of which are summarized below.

### Inherent Risk Assessment

We developed an inherent risk assessment for each university in the SUS. The inherent risk assessments consisted of a list of risk factors which, based on our research and experience, are relevant, impactful, and likely to occur in a university environment. We rated some inherent risks differently across universities due to environmental or organizational variables (e.g. research-based universities, student enrollment, campus location(s), age of infrastructure, student housing, etc.). At this point in the assessment we did not yet consider the specific risk management and controls that each university had in place to mitigate these risks. It was designed to provide a baseline upon which to measure control effectiveness at the university level.

### Risk Rating Scale

Impact	Score
Low	1
Minor	2
Moderate	3
High	4
Severe	5

Likelihood	Score
Remote	1
Improbable	2
Possible	3
Probable	4
Almost Certain	5

Risk Rating	Score
Low	1
Minor	2
Moderate	3
High	4
Severe	5

We established the threshold for reportable risk levels at a residual risk score of 4 or higher.

We established a risk rating methodology to assign a score to each risk factor in the assessment as illustrated above. Our risk rating methodology considered two criteria, "Impact" and "Likelihood". The "Risk Rating" represents the average of those two scores. The impact criterion addressed the effect on financial, operational, or compliance objectives if the risk factor were to occur. The likelihood criterion addressed the probability that the risk would occur in the current environment. Our scores were based on a five-point rating scale with one (1) representing the lowest, and five (5) representing the highest risk score. We labeled the risk rating in the same manner as the impact criterion for the purpose of simplicity and consistency.

### Control Ratings

We also rated the internal controls in place according to the three criteria below. The percentage assigned to each rating represents the reduction in perceived levels of risk and was used to calculate the residual risk score.

- No Observations Noted (30% reduction to the inherent risk rating),
- Needs Improvement (15% reduction to the inherent risk rating), or
- Inadequate (0%, no reduction to the inherent risk rating)

We based the control ratings on the results of our research, discussions with management, and the supporting documentation they provided to help us analyze UWF's control structure.

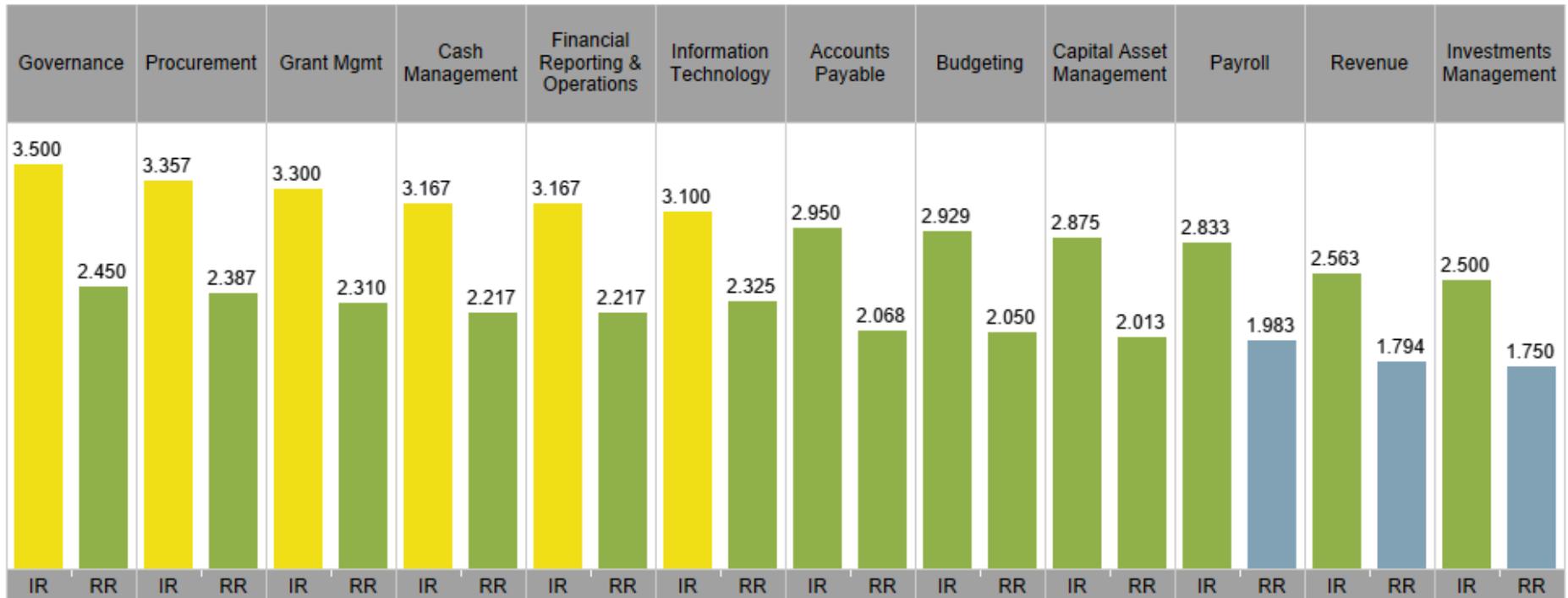
### Residual Risk Assessment

We assigned a control rating to each control to arrive at a residual risk rating in a consistent manner. The residual risk assessment was intended to provide an overview of the university's risk management and system of internal control. We recognized that each control and its related risk had unique components that would not be fully represented by the control or residual risk rating. Therefore, we developed an observation and recommendation for controls rated as "Needs Improvement" or "Inadequate" in order to provide additional insight into that specific matter.

We used the risk category ratings, as illustrated in **Exhibit 1** below, to summarize the sixty-two (62) risk statements which we evaluated and scored during this assessment. We assessed the risk factors from the perspective of “inherent risk” (i.e. prior to considering implementation of controls) and “residual risk” (i.e. after consideration of controls in place to mitigate the risk). In total we grouped risks into twelve categories and deemed nine categories to have a minor level of residual risk and three categories to have a low level of residual risk. UWF’s three highest categories of residual risk were Governance, Procurement, and Information Technology. However, based on our methodology, all risk categories were below our threshold for a reportable observation.

The bar graph illustrates the difference between the average inherent and residual risk scores for each risk category. Please note that if an individual risk factor exceeded the threshold, we would have reported an observation and recommendation for those factors. However, we did not note any individual risk factors that exceeded the threshold, and these key functions/risk categories also have average residual risk scores below our threshold. This is an indicator that our observations identified were not systemic to the functional area.

**Exhibit 1: UWF Inherent vs. Residual Risk by Category**



**Exhibit 2** highlights similar information but uses different visualizations to illustrate how the control rating reduced the level of inherent risk (i.e. resulting in the residual risk score). The inherent risk represents the baseline score in each category prior to considering internal controls. The control mitigation score represents our assessment of the controls in each category. The residual risk score is the net result of the two scores and is used to indicate whether the control structure was adequately designed to mitigate the associated risks to a reasonable level. Again, this exhibit indicates that all risk categories had average residual risks below our threshold for reportable observations.

**Exhibit 2: UWF Inherent vs. Residual Risk with Control Rating**

Risk Factor Category	IR	Control Mitigation Effectiveness	RR
Accounts Payable	2.950	0.299	2.068
Budgeting	2.929	0.300	2.050
Capital Asset Management	2.875	0.300	2.013
Cash Management	3.167	0.300	2.217
Financial Reporting & Operations	3.167	0.300	2.217
Governance	3.500	0.300	2.450
Grant Mgmt	3.300	0.300	2.310
Information Technology	3.100	0.250	2.325
Investments Management	2.500	0.300	1.750
Payroll	2.833	0.300	1.983
Procurement	3.357	0.289	2.387
Revenue	2.563	0.300	1.794

## Conclusion

Overall, we noted no individual risk factors which arose to the level of a reportable observation (i.e. a residual risk score of 4 or greater). However, our risk and control assessment enabled us to identify several areas to improve risk management and control practices. Additional detail on these observations, our recommendations on how UWF could address these observations, and UWF management's responses to our recommendations have been provided in the *Observations and Recommendations* section of this report.

We also noted a common theme throughout our assessment that the university would likely benefit from an enhanced focus in the areas where third-party risk management and data protection intersect. While we have addressed specific risks in our observations and recommendations, we understand that this is an area in which UWF and many other higher education institutions are expanding or will be planning to expand their operational activities. For example, the number of providers and types of services in this area is rapidly expanding, and consequently, so are the associated risks. For example, university student support, call centers, or collection agencies are commonly granted access to student account information. Payroll service providers receive and transmit data electronically, and cloud-based storage services are becoming an increasingly efficient and inexpensive way in which to manage large amounts of data, including personally identifiable and sensitive data.

While these advances in technology can exponentially improve the level and reach of services to students, and increase administrative efficiencies, a strong risk management framework is critical to maintain pace with the threats that have emerged alongside the advances. These threats pose not only financial risks, but may also impact reputation, safety, and strategic initiatives. UWF should consider strengthening their risk management practices through a more formal, systematic approach in order to provide an added level of assurance to its Board of Trustees and to the Board of Governors that the university has taken reasonable measures to manage the risks it faces in the course of pursuing its mission.

### III. Objectives and Scope

The purpose of this assessment was to evaluate the existing internal controls and review business processes to identify any areas of risk for the SUS. We accomplished this by completing a risk and control assessment for each university within the SUS, which enabled us to identify gaps or weaknesses in internal controls and make recommendations to the university and the BOG for improvement. In summary, our objectives were to evaluate the risks, controls, and business processes related to financial accounting and operations at UWF, and to provide observations and recommendations to the UWF Board of Trustees, UWF leadership, and the BOG on improving the risk management, controls, and business processes within the university.

The scope of our assessment included the following activities and processes at UWF:

1. Internal Management and Accounting Controls over:
  - a. Accounting Operations (e.g. Accounts Payable, Accounts Receivable, Payroll)
  - b. Financial Statement Preparation and Issuance
  - c. Grant Management
2. Business Processes and Operations, including:
  - a. Procurement
  - b. Budget Management and Oversight (Capital and Operating)
  - c. Capital Program and Asset Management
  - d. Information Systems Management
  - e. Cyber Security
  - f. Contract Management
3. Compliance matters, including:
  - a. Data Privacy rules and regulations
  - b. Federal and State Grant reporting requirements
  - c. Financial Aid regulations

## IV. Procedures Performed

It should be recognized that internal controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal controls. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes in judgment, carelessness, or other factors. Internal control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions, or with respect to the estimates and judgments required in the processing of data. Controls may become ineffective due to newly identified business or technology exposures. Further, the projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with procedures may deteriorate. A summary of the procedures we completed during our assessment of UWF have been summarized in the table below.

Summary of Procedures
1. We reviewed BOG regulations, university policies, procedures, processes and business requirements.
2. We prepared an inherent risk assessment, which includes risks arising from our assessment of the above, as well as our experience in common risks within higher education, specific to financial and operational issues.
3. We analyzed risk/control questionnaires completed by university management and identified key controls in place to manage the risks identified above.
4. We conducted interviews onsite with university management for insight into risk management and control perspectives and activities.
5. We evaluated UWF's risk management and control structure based on the information gathered above.
6. We have identified gaps in controls and process improvement opportunities. These have been documented in this report as observations and recommendations.
7. We have confirmed with UWF management the factual basis for our observations and recommendations. Management's written responses are included for each recommendation in this report.

## V. Observations and Recommendations

Our procedures yielded six (6) observations which are summarized in the table below. These observations represent areas where we determined that controls were absent or were not adequate to mitigate the associated risk to an acceptable level. In the following section we have provided details and recommendations to address each of these observations. Management's responses to each of our recommendations are also included in this section.

Risk Category	Description	Risk Rating
Procurement	<b>1. Contract Management – Shared Service Contracts</b>	Moderate
Procurement	<b>2. Policies and Procedures – Vendor Setup and Monitoring</b>	Moderate
Information Security	<b>3. Business Continuity Management – Incident Classification</b>	Moderate
Information Security	<b>4. Data Protection – Employee Removable Media</b>	Low
Information Security	<b>5. Employee Management – Employee Security Awareness Training</b>	Low
Information Security	<b>6. Data Protection – Employee Mobile Device Management Policy</b>	Low

**Observations and Recommendations**

Observation 1	Process Area	Priority Rating
Contract Management – Shared Services Contracts	Procurement	Moderate

**Condition:** UWF has not established roles and responsibilities for managing shared services contracts with other entities. For example, UWF did not provide copies of executed contracts to demonstrate that service level expectations, insurance requirements, data privacy and intellectual property protections, and other significant areas of risk had been identified, adequately addressed, and monitored for compliance. Additionally, the ownership for monitoring performance under the terms and conditions of those agreements had not been clearly established.

**Criteria:** BOG Regulation 18.001 (1) Each university Board of Trustees shall adopt regulations establishing basic criteria related to procurement, including procedures and practices to be used in acquiring commodities and contractual services, as follows: (c) Evaluating, approving, and utilizing contracts let by any State of Florida agency or department, the Federal Government, other states, political subdivisions, not-for-profit cooperatives or consortia, or any independent college or university for the procurement of commodities and contractual services, when it is determined to be cost-effective and in the best interest of the University, to make purchases under contracts let by such other entities.

**Root Cause:** UWF stated that they primarily rely on the entity who negotiated the agreement to manage the contract (e.g. the BOG, other universities in the SUS, or other third parties). As a result, UWF has not prioritized the standardization of forming these types of agreements or assigning ownership to monitor performance.

**Implication:** The lack of standard practices for establishing shared service contracts increases UWF's exposure to a wide-range of risks, which include loss of intellectual property or personally identifiable information, financial liability, excessive costs or delays, subpar quality of goods and services, and the inability to achieve expected outcomes.

**Recommendation:** Crowe recommends that UWF document the process for executing shared service contracts. The process should include but is not limited to 1) Identifying roles and responsibilities for initiating, reviewing, and executing the agreement. 2) Clarifying scope of services, period of performance, performance metrics, and other technical matters. 3) Establishing standard terms and conditions that address issues of data privacy, intellectual property, and insurance requirements. 4) Identifying ownership, roles, and responsibilities for monitoring performance throughout the length of the agreement.

**Management Response:**

Management agrees. For shared services we will create Participation Agreements with the other institutions. We will ensure the following information is covered:

- Roles and responsibilities for initiating, reviewing and executing the agreement,
- Scope of services, period of performance, technical matters and performance metrics,
- Standard terms and conditions addressing data privacy, intellectual property and insurance requirements, and
- Ownership, roles and responsibilities for monitoring performance.

Planned for implementation by April 30, 2020

Observation 2	Process Area	Priority Rating
Policies and Procedures – Vendor Setup and Monitoring	Procurement	Moderate

**Condition:** The University did not have documented standards or a process for monitoring and tracking the performance of vendors as stipulated in BOG regulations. UWF had documented procedures for several components of the procurement function, such as for P-Cards and purchase requisitions; however, they did not have documented procedures for vendor setup or monitoring. UWF's Director of Procurement stated that UWF consistently performs a thorough vendor certification process to ensure new vendors are not on any disbarred list, will be able to provide the requested goods or services, and present no conflict of interest issues; however, these practices were not documented as standard operating procedures. It was also unclear what standard practices, roles, and responsibilities were established for monitoring vendor performance.

**Criteria:** BOG Regulations 18.001 requires universities to establish, "Basic criteria related to procurement, including procedures and practices to be used in acquiring commodities and contractual services." Subsection (f) of that regulation specifies that these criteria should include, "barring any vendor from doing business with the University for demonstrated cause, including previous unsatisfactory performance."

**Root Cause:** UWF has not prioritized documenting its practices for vendor setup and monitoring due to its reliance on experienced staff members with substantial institutional knowledge.

**Implication:** Without a formally documented procedure in place for third party vendor setup, there is an increased risk that new suppliers will not be properly vetted before being allowed to do business with UWF. Similarly, vendor monitoring practices are more likely to be overlooked or performed inconsistently without documented standard operating procedures. This risk would increase further in the event of turnover in positions currently responsible for vendor setup and monitoring.

**Recommendation:** We recommend that UWF document standard operating procedures for vendor setup, including requirements for conducting:

- Reference and background checks
- Verifying proper licensing and insurance coverage
- Validating tax identification information

We recommend that UWF document standard practices for vendor performance monitoring, including:

- Assigning of ownership for monitoring procedures
- Contract compliance checks
- Invoice review and approvals by technical or subject matter experts
- Mechanisms for reporting subpar performance and debarring vendors.

UWF should incorporate these standard procedures into routine employee training for those charged with procurement or vendor management responsibilities.

**Management Response:**

Management Agrees. UWF will identify 'critical' vendors and contracts to monitor performance and assign ownership of monitoring procedures, contract compliance checks, and mechanisms for reporting subpar performance and debarring of vendors. The invoice review and approval by technical or subject matter experts will be the responsibility of the department acquiring the goods or services. This will be included in the UWF Procurement Manual.

Planned for implementation by April 30, 2020.

Observation 3	Process Area	Priority Rating
Business Continuity Management – Incident Classification	Information Security	Moderate

**Condition:** The organization has not documented a procedure for the classification and prioritization of cybersecurity incidents. Additionally, a classification schema has not been documented within policy that details criteria for detected cybersecurity incidents.

**Criteria:** We relied on the National Institute of Standards and Technology (NIST) SP 800-53 r5 IR-1, IR-8 as the criteria upon which to evaluate these controls.

**Root Cause:** UWF has not prioritized resources to create a classification policy. UWF stated in their response to our control questionnaire that they do not deal with a significant number of cybersecurity incidents.

**Implication:** Without an implemented procedure to classify and prioritize incidents, UWF may not be able to effectively respond to threats, resulting in the misidentification of the severity of an incident and hampering the response effort.

**Recommendation:** UWF should update the incident response program to include requirements and procedures to classify and prioritize cybersecurity incidents. This should include an analysis of the systems affected and what data is stored on those systems. A classification schema should be created to rank the criticality of each incident. Each level of criticality should include detailed instructions on response time expectations, and communication plans.

**Management Response:**

Management agrees. We will develop a cybersecurity classification schema based on several factors including the category of the system, the level of data sensitivity and possible broader consequences to dependent systems. The schema will describe the kind of incident and expected response plans.

Planned for implementation by the close of Q1 2020.

Observation 4	Process Area	Priority Rating
Data Protection – Employee Removable Media Management	Information Security	Low

**Condition:** UWF has not established a policy to manage employees’ and contractors’ use of removable media, (i.e. USB drives). Also, technical controls have not been implemented to restrict access and provide data protection, such as encryption and device authentication.

**Criteria:** We relied on the National Institute of Standards and Technology (NIST) SP 800-53 r5 MP-1, MP-2, MP-5, MP-7 as the criteria upon which to evaluate these controls.

**Root Cause:** UWF has not prioritized resources to address the risk of employees using removable media.

**Implication:** Without restrictions on the use of removable storage media through device encryption, there is the risk of unauthorized disclosure of confidential, personally identifiable, or other sensitive information through the loss or misuse of the storage media.

**Recommendation:** UWF personnel should only use encrypted devices and their use should be restricted (for both read and write capabilities) to only authorized individuals who have a legitimate business need based on the risk of data and systems. Removable media should also be centrally managed, and only company devices should be used, where possible and appropriate. To account for all files that may be considered sensitive, technical controls should be implemented to force removable media encryption and reduce the risk of sensitive files being lost can be reduced.

Removable media encryption solutions are listed below:

USB Encryption Solutions	
DiskCryptor	<a href="https://diskcryptor.net/wiki/Main_Page">https://diskcryptor.net/wiki/Main_Page</a>
Rohos Disk Encryption	<a href="https://www.rohos.com/products/rohos-disk-encryption/">https://www.rohos.com/products/rohos-disk-encryption/</a>
PGP Disk	<a href="http://www.symantec.com/encryption/">http://www.symantec.com/encryption/</a>
Gilisoft USB Stick Encryption	<a href="http://gilisoft.com/product-usb-stick-encryption.htm">http://gilisoft.com/product-usb-stick-encryption.htm</a>
Kakasoft USB Security	<a href="http://www.kakasoft.com/usb-security/">http://www.kakasoft.com/usb-security/</a>
Iron Key (Encrypted USB)	<a href="http://www.ironkey.com/en-US/">http://www.ironkey.com/en-US/</a>

Alternatively, if there is no business need for removable media, it can be restricted using third party tools or through Microsoft Group Policy. The following article provides a walkthrough on how this can be accomplished:

- [https://technet.microsoft.com/en-us/library/Cc772540\(v=WS.10\).aspx](https://technet.microsoft.com/en-us/library/Cc772540(v=WS.10).aspx)

**Management Response:**

Management partially agrees. This observation as written is impractical and possibly detrimental to the academic mission of the University. A University by its very nature needs to allow for the use of removable media given there are innumerable reasons and needs for external devices (many which have storage capabilities) which serve teaching and learning purposes. The University is not a “company” with homogenous and strictly defined equipment. In addition, the solutions suggested in the table (a few of which no longer point to secure web pages) and the Technet article are not adequate to provide sufficient technical controls for the kind of environment we have. However, we do recognize that the use of USB drives can be a risk and UWF has already banned their use with respect to Protected information via our Information Security & Privacy Policy. In addition, we recognize that we can, in a limited fashion, apply technical controls to administrative endpoint workstations used by employees with elevated privileges who would pose the greatest risk to an information breach.

We will employ our existing endpoint protection product (Cylance) to place a technical control to prevent the use of USB devices on computers within certain areas of high risk due to the access to large stores of Protected information. We will determine this by grouping these endpoint workstations in a special ‘area’ within the management capabilities of the Cylance platform.

Implementation Plan: We will implement these controls in a pilot area by close of Q1 2020 and if the pilot is successful, we will implement to all other identified areas of risk by end of Q4 2020.

Observation 5	Process Area	Priority Rating
Employee Management – Employee Security Awareness Training	Information Security	Low

**Condition:** Although UWF provides security training to new users upon hire, annual training is not required. Through discussion with UWF, they are evaluating an annual security awareness training program; however, one was not in place at the time of the assessment.

**Criteria:** We relied on the National Institute of Standards and Technology (NIST) SP 800-53 r5 AT-3 as the criteria upon which to evaluate these controls.

**Root Cause:** UWF has not prioritized resources to provide annual security training.

**Implication:** If users are not provided with periodic training, at hire and annually, they may not be prepared to identify emerging threats and tactics and exposes the organization to an increased risk of breach.

**Recommendation:** UWF should continue with the plan to provide annual security awareness training to users. This training should be updated at least annually to cover current cybersecurity risks and threats. Users should be required to sign an acknowledgement of this training and these acknowledgements should be tracked. In the absence of a robust Learning Management System, universities may consider the use of readily available mobile applications that can be used to track attendance at training events.

**Management Response:**

Management agrees. We are reviewing cybersecurity awareness material we have already developed and additionally compiled from other sources. We will create a ‘certification’ that will be tracked electronically and will track the yearly completion of cybersecurity awareness for all employees classified as “knowledge workers”. We will review and update the material yearly as appropriate to highlight new threats. Additionally, we will amend the University Information Security & Privacy policy to compel employees to complete this yearly awareness training.

Implementation Plan: The training and certification will become available by the end of Q2 2020.

Observation 6	Process Area	Priority Rating
Data Protection – Employee Mobile Device Management Policy	Information Security	Low

**Condition:** UWF has not documented a Mobile Device Management policy for employees and contractors, which details requirements for the security of mobile devices.

**Criteria:** We relied on the National Institute of Standards and Technology (NIST) SP 800-53 r5 AC-19 as the criteria upon which to evaluate these controls.

**Root Cause:** UWF has not prioritized resources to develop a mobile device management policy for its employees and contractors who use their personal mobile devices to access UWF email or other applications.

**Implication:** Employees or contractors who use UWF email on their phones without security protections are at risk of compromising UWF information if a malicious actor gains access to the phone, both physically or remotely.

**Recommendation:** UWF should develop a policy to inform users of the security controls that are required through the information security program for the user of UWF email on their personal phones. Information security standards should include, but not limited to, full disk encryption, a secure PIN, and a lockout policy. UWF should also consider using a Mobile Device Management solution. For example, while we do not endorse any specific products, the VMware® AirWatch is one of many solutions that may be implemented to enforce these controls and remotely wipe devices in the event that they are lost or stolen.

**Management Response:**

Management partially agrees. The University does not provide mobile phones to its employees nor does it have the budget for an enterprise-wide MDM. However, we recognize that policy and guidelines for the safe use of personal mobile devices are an important addition to our security posture. We will also include a training module to inform employees of the proper safety best practices.

Implementation Plan: We have drafted a mobile and personal device policy and will be submitting this policy through the policy process by the start of Q1 2020.

## VI. Appendix

### List of Interviewees at UWF

The following individuals were interviewed during our onsite visit to UWF the week of June 24, 2019. The name, title, and interview subject are included below for reference.

1. Budgeting and Financial Management: Betsy Bowers, Vice President Finance & Administration
2. Capital Budget Management: Melinda Bowers, Associate Vice President Facilities Management
3. Capital and Operating Budget Preparation and Management: Michelle Randu, Budget Manager
4. Business Continuity & Disaster Recovery: Peter Robinson, Director of Environmental Health & Safety
5. Business Continuity & Disaster Recovery: Nicole McDonald, Assistant Director of Environmental Health & Safety
6. Business Continuity & Disaster Recovery: Pennie Sparks, Risk Manager
7. Financial Accounting and Operations: Colleen Asmus, Controller
8. Financial Accounting and Operations: Billy Pollard, Senior Associate Controller
9. Financial Accounting and Operations: Jeffrey Djerlick, Associate Controller
10. Student Billing: Lisa Griswold Student Accounts
11. Student Billing: Audrey Liss, Student Accounts
12. Grants Management, Dr. Matthew Schwartz, Associate Vice President of Research Administration
13. Information Security and Data Privacy: Geissler Golding, Director of Infrastructure & Chief IT Security Officer
14. Procurement: Angie Jones, Director, Procurement & Contracts
15. Regulatory Compliance: Matt Packard, Chief Compliance Officer
16. UWF Board of Trustee Chair, J. Mort O'Sullivan

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
February 13, 2020

**Issue:** NCAA Agreed-Upon Procedures Engagement of Intercollegiate Athletics

**Proposed action:** Acceptance

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**Background information:**

Once every three years NCAA Bylaw 6.2.3 requires institutions to have an independent accountant perform certain Agreed-Upon Procedures (AUP) related to the Statement of Revenues and Expenses. It states:

*“At least once every three years, all expenses and revenues for or on behalf of a Division II member institution's intercollegiate athletics programs, including those by any affiliated or outside organization, agency or group of individuals (two or more), shall be subject to agreed-on procedures approved by the Division II membership (in addition to any regular financial reporting policies and procedures of the institution) conducted for the institution by a qualified independent accountant who is not a staff member of the institution and who is selected either by the institution's president or chancellor or by an institutional administrator from outside the athletics department designated by the president or chancellor. If, within the last three years, the institution has conducted an overall institutional audit that includes a financial audit of all athletics department funds, then the institution is not required to perform a separate financial audit of all athletics department expenditures.”*

**Results:**

The independent accountant's AUP were performed to assist the University in evaluating whether the Intercollegiate Athletics Program Statement of Revenues and Expenses is in compliance with the National Collegiate Athletic Program (NCAA) Bylaw 6.2.3 for the year ended June 30, 2019. No exceptions were noted in the Independent Accountant's AUP report.

**Recommendation:** Acceptance

**Implementation Plan:** None

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees of organizations affiliated with or through the University of West Florida.

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**Supporting documents:**

Independent Accountants' Report on Applying Agreed-Upon Procedures for the Year Ended June 30, 2019

**Prepared by:** Elizabeth Mrachek, Internal Auditor, emrachek@uwf.edu, 474-2636

**Presenter:** Cindy Talbert, Interim Internal Audit Director, 850-474-2638, ctalbert@uwf.edu

**UNIVERSITY OF WEST FLORIDA  
INTERCOLLEGIATE ATHLETICS PROGRAM  
INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2019**

**UNIVERSITY OF WEST FLORIDA  
INTERCOLLEGIATE ATHLETICS PROGRAM  
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JUNE 30, 2019**

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**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

The Board of Trustees,  
University of West Florida:

We have performed the procedures enumerated below, which were agreed to by the President of the University of West Florida (the University), solely to assist the University in evaluating whether the accompanying statement of revenues and expenses (Exhibit I) of the University of West Florida Intercollegiate Athletics Program (the Program) is in compliance with the National Collegiate Athletic Program (NCAA) Bylaw 6.2.3 for the year ended June 30, 2019. The University's management is responsible for the statement of revenues and expenses (the Statement) and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

**Agreed-Upon Procedures Related to the Statement of Revenues and Expenses**

<b>Procedure</b>	<b>Finding</b>
<b>All Revenue Categories</b>	
<ul style="list-style-type: none"> <li>Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4.0% of the total revenues, no procedures are required for that specific category.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>Compare and agree a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation.</li> </ul>	No exceptions noted.

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**Procedure**

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**Finding**

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**All Revenue Categories (Continued)**

- Compare each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. Obtain and document an explanation of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.

No exceptions noted and amounts and explanations for variations from the prior period are included in the supplement on page 21.

**Ticket Sales**

1. Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the Institution in the statement and the related attendance figures and recalculate totals.

As ticket sales revenues represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

**Student Fees**

2. Compare and agree student fees reported by the institution in the statement for the reporting to student enrollments during the same reporting period and recalculate totals.
3. Obtain documentation of institution's methodology for allocating student fees to intercollegiate athletics programs.
4. If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports and student fee totals.

No exceptions noted.

No exceptions noted.

No exceptions noted.

**Direct State or Other Governmental Support**

5. Compare direct state or other governmental support recorded by the institution during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation and recalculate totals.

As there was no direct state or other governmental support for the year ended June 30, 2019, this procedure was not performed.

**Direct Institutional Support**

6. Compare the direct institutional support recorded by the institution during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

No exceptions noted.

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**Procedure**

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**Finding**

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**Transfers Back to Institution**

7. Compare the transfers back to institution with permanent transfers back to institution from the athletics department and recalculate totals.

As transfers back to institution represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

**Indirect Institutional Support**

8. Compare the indirect institutional support recorded by the institution during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculate totals.

As there was no indirect institutional support for the year ended June 30, 2019, this procedure was not performed.

**Guarantees**

9. Select a sample of settlement reports for away games during the reporting period and agree each selection to the institution's general ledger and/or the statement and recalculate totals.
10. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agree each selection to the institution's general ledger and/or the statement and recalculate totals.

As guarantees revenues represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

As guarantees revenues represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

**Contributions**

11. Any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall obtain and review supporting documentation for each contribution and recalculate totals.

No exceptions noted.

**In-Kind**

12. Compare the in-kind recorded by the institution during the reporting period with a schedule of in-kind donations and recalculate totals.

As there was no in-kind for the year ended June 30, 2019, this procedure was not performed.

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**Procedure**

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**Finding**

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**Compensation and Benefits Provided by a Third-Party**

13. Obtain the summary of revenues from affiliated and outside organizations (the "Summary") as of the end of the reporting period from the institution and select a sample of funds from the Summary and compare and agree each selection to supporting documentation, the institution's general ledger and/or the Summary and recalculate totals.

As there was no compensation and benefits provided by a third party for the year ended June 30, 2019, this procedure was not performed.

**Media Rights**

14. Obtain and inspect agreements to understand the institution's total media (broadcast, television, radio) rights received by the institution or through their conference offices as reported in the statement.
15. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and the institution's general ledger and recalculate totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately.

As there was no media rights for the year ended June 30, 2019, this procedure was not performed.

As there was no media rights for the year ended June 30, 2019, this procedure was not performed.

**NCAA Distributions**

16. Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.

As NCAA distributions represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

**Conference Distributions and Conference Distributions of Bowl Generated Revenue**

17. Obtain and inspect agreements related to the institution's conference distributions and participation in revenues from tournaments during the reporting period for relevant terms and conditions.
18. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.

As conference distributions represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

As conference distributions represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

**Procedure**

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**Finding**

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**Program Sales, Concessions, Novelty Sales and Parking**

19. Other Information Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales and parking as well as any other corroborative supporting documents and recalculate totals.

As program sales, concessions, novelty sales and parking represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

**Royalties, Licensing, Advertisements and Sponsorships**

20. Other Information Obtain and inspect agreements related to the institution's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period for relevant terms and conditions.

As royalties, licensing, advertisements and sponsorships represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

21. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.

As royalties, licensing, advertisements and sponsorships represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

**Sports Camp Revenues**

22. Inspect sports camp contract(s) between the institution and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain documentation of the institution's methodology for recording revenues from sports-camps.

As sport camp revenues represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

23. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agree each selection to the institution's general ledger, and/or the statement and recalculate totals.

As sport camp revenues represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed.

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**Procedure**

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**Finding**

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**Athletics Restricted Endowment and Investment Income**

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|--|--|
| 24. Obtain and inspect endowment agreements (if any) for relevant terms and conditions.  | As athletics restricted endowment and investment revenues represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed. |
| 25. Compare and agree the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement and recalculate totals. | As athletics restricted endowment and investment revenues represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed. |

**Other**

- |  |  |
|--|--|
| 26. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals. | As other revenues represent less than 4.0% of total revenues for the year ended June 30, 2019, this procedure was not performed. |
|--|--|

**Bowl Revenue**

- |  |  |
|--|--|
| 27. Obtain and inspect agreements related to the institution's revenues from post-season bowl participation during the reporting period to gain an understanding of the relevant terms and conditions. | As there were no bowl revenues for the year ended June 30, 2019, this procedure was not performed. |
| 28. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.   | As there were no bowl revenues for the year ended June 30, 2019, this procedure was not performed. |

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**Procedure**

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**Finding**

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**All Expense Categories**

- Compare and agree each expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4.0% of the total expenses, no procedures are required for that specific category. No exceptions noted.
- Compare and agree a sample of expenses obtained from the above operating expense supporting schedules to adequate supporting documentation. No exceptions noted.
- Compare each major expense account over 10% of the total expenses to prior period amounts and budget estimates. Obtain and document an understanding of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report. No exceptions noted and amounts and explanations for variations from the prior period are included in the supplement on page 21

**Athletic Student Aid**

29. Select a sample of students (10% of the total student-athletes for institutions who have used NCAA's Compliance Assistant (CA) software to prepare athletic aid detail, with a maximum sample size of 40, and 20% of total student-athletes for institutions who have not, with a maximum sample size of 60) from the listing of institutional student aid recipients during the reporting period. Data should be captured by the institution through the creation of a squad/eligibility list for each sponsored sport. A sample of 40 student-athletes was selected.
30. Obtain individual student account detail for each selection and compare total aid in the institution's student system to the student's detail in CA or the institution report that ties directly to the NCAA Membership Financial Reporting System. No exceptions noted.
31. Recalculate totals for each sport and overall. No exceptions noted.

<b>Procedure</b>	<b>Finding</b>
<b>Guarantees</b>	
32. Obtain and inspect visiting institution's away-game settlement reports received by the institution during the reporting period and agree related expenses to the institution's general ledger and/or the statement and recalculate totals.	As guarantee expenses for the year ended June 30, 2019 were below 4% of total expenses, this procedure was not performed.
33. Obtain and inspect contractual agreements pertaining to expenses recorded by the institution from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the institution during to the institution's general ledger and/or the statement and recalculate totals.	As guarantee expenses for the year ended June 30, 2019 were below 4% of total expenses, this procedure was not performed.
<b>Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities</b>	
34. Obtain and inspect a listing of coaches employed by the institution and related entities during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.	No exceptions noted.
35. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the institution and related entities in the statement during the reporting period.	No exceptions noted.
36. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the institution and related entities expense recorded by the institution in the statement during the reporting period.	No exceptions noted.
37. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.	No exceptions noted.

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**Procedure**

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**Finding**

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**Coaching Other Compensation and Benefits Paid by a Third-Party**

38. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.
  
39. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the institution in the statement during the reporting period.
  
40. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third-party expenses recorded by the institution in the statement during the reporting period and recalculate totals.

As there were no coaching other compensation and benefits paid by a third party expenses for the year ended June 30, 2019, this procedure was not performed.

As there were no coaching other compensation and benefits paid by a third party expenses for the year ended June 30, 2019, this procedure was not performed.

As there were no coaching other compensation and benefits paid by a third party expenses for the year ended June 30, 2019, this procedure was not performed.

**Support Staff and Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities**

41. Select a sample of support staff/administrative personnel employed by the institution and related entities during the reporting period.
  
42. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree related summary payroll register to the related support staff administrative salaries, benefits and bonuses paid by the institution and related entities expense recorded by the institution in the statement during the reporting period and recalculate totals.

No exceptions noted.

No exceptions noted.

**Support Staff and Administrative Other Compensation and Benefits Paid by a Third-Party**

43. Select a sample of support staff/administrative personnel employed by the third parties during the reporting period.

As there was no support staff/administrative other compensation and benefits paid by a third party expenses for the year ended June 30, 2019, this procedure was not performed.

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**Procedure**

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**Finding**

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**Support Staff and Administrative Other Compensation and Benefits Paid by a Third-Party (Continued)**

44. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff administrative other compensation and benefits expense recorded by the institution in the statement during the reporting period and recalculate totals.

As there was no support staff/administrative other compensation and benefits paid by a third party expenses for the year ended June 30, 2019, this procedure was not performed.

**Severance Payments**

45. Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.

As there were no severance payments for the year ended June 30, 2019, this procedure was not performed.

**Recruiting**

46. Obtain documentation of the Institution's recruiting expense policies.

As recruiting expenses represent less than 4.0% of total expenses for the year ended June 30, 2019, this procedure was not performed.

47. Compare and agree to existing institutional- and NCAA-related policies.

As recruiting expenses represent less than 4.0% of total expenses for the year ended June 30, 2019, this procedure was not performed.

48. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

As recruiting expenses represent less than 4.0% of total expenses for the year ended June 30, 2019, this procedure was not performed.

**Team Travel**

49. Obtain documentation of the Institution's team travel policies.

No exceptions noted.

50. Compare and agree to existing institutional- and NCAA-related policies.

No exceptions noted.

51. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

No exceptions noted.

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**Procedure**

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**Finding**

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**Equipment, Uniforms and Supplies**

52. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As equipment, uniforms and supplies represents less than 4.0% of total expenses for the year ended June 30, 2019, this procedure was not performed.

**Game Expenses**

53. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No exceptions noted.

**Fund Raising, Marketing and Promotion**

54. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As fund raising, marketing, and promotion represents less than 4.0% of total expenses for the year ended June 30, 2019, this procedure was not performed.

**Sports Camp Expenses**

55. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As sport camp expenses represents less than 4.0% of total expenses for the year ended June 30, 2019, this procedure was not performed.

**Spirit Groups**

56. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As spirit groups represent less than 4.0% of the total expenses for the year ended June 30, 2019, this procedure was not performed.

**Athletic Facility Debt Service, Leases and Rental Fees**

57. Obtain a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements).

As athletic facility debt service, leases and rental fees represent less than 4.0% of the total expenses for the year ended June 30, 2019, this procedure was not performed.

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**Procedure**

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**Finding**

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**Athletic Facility Debt Service, Leases and Rental Fees**  
(Continued)

58. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.

As athletic facility debt service, leases and rental fees represent less than 4.0% of the total expenses for the year ended June 30, 2019, this procedure was not performed.

**Direct Overhead and Administrative Expenses**

59. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No exceptions noted.

**Indirect Institutional Support**

60. Tested with revenue section- Indirect Institutional Support.

As there was no indirect institutional support for the year ended June 30, 2019, this procedure was not performed.

**Medical Expenses and Medical Insurance**

61. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As medical expenses and medical insurance represent less than 4.0% of total expenses for the year ended June 30, 2019, this procedure was not performed.

**Memberships and Dues**

62. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As memberships and dues represent less than 4.0% of total expenses for the year ended June 30, 2019, this procedure was not performed.

**Other Operating Expenses and Transfers to Institution**

63. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No exceptions noted.

The top 3 categories for other operating expenses include: facilities maintenance & renovations, general operating supplies, and equipment & furniture expense.

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**Procedure**

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**Finding**

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**Student-athlete meals (non-travel)**

64. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As student-athlete meals (non-travel) represent less than 4.0% of total expenses for the year ended June 30, 2019, this procedure was not performed.

**Bowl Expenses**

65. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As there were no bowl expenses for the year ended June 30, 2019, this procedure was not performed.

## MINIMUM AGREED-UPON PROCEDURES PROGRAM FOR OTHER REPORTING ITEMS

<b>Procedure</b>	<b>Finding</b>
<b>Excess Transfers to Institution and Conference Realignment Expenses</b>	
66. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As there were no Excess Transfers to Institution and Conference Realignment Expenses for the year ended June 30, 2019, this procedure was not performed.
<b>Total Athletics Related Debt</b>	
67. Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained.	As there were no athletics related debt for the year ended June 30, 2019, this procedure was not performed.
68. Agree the total annual maturities and total outstanding athletic related to supporting documentation and the institution's general ledger, as applicable.	As there were no athletics related debt for the year ended June 30, 2019, this procedure was not performed.
<b>Total Institutional Debt</b>	
69. Agree the total outstanding institutional debt to supporting documentation and the institution's audited financial statements, if available, or the institution's general ledger.	No exceptions noted.
<b>Value of Athletics Dedicated Endowments</b>	
70. Obtain a schedule of all athletics dedicated endowments maintained by athletics, the institution, and affiliated organizations. Agree the fair market value in the schedule(s) to supporting documentation, the general ledger(s) and audited financial statements, if available.	No exceptions noted.
<b>Value of Institutional Endowments</b>	
71. Agree the total fair market value of institutional endowments to supporting documentation, the institution's general ledger and/or audited financial statements, if available.	No exceptions noted.

**Procedure**

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**Finding**

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**Total Athletic Related Capital Expenditures**

- |   |                      |
|---|----------------------|
| 72. Obtain a schedule of athletics related capital expenditures made by athletics, the institution, and affiliated organizations during the reporting period.                                       | No exceptions noted. |
| 73. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | No exceptions noted. |

## **Agreed-Upon Procedures Related to Outside Organizations**

### **Procedure**

1. The Program shall identify all intercollegiate athletics-related affiliated and outside organizations and obtain those organizations' statements for the reporting period. Once the Program has made these statements available, the independent accountant shall agree the amounts reported in the statement to the organization's general ledger or, alternatively, confirm revenues and expenses directly with a responsible official of the organization. In addition, the Program shall prepare a summary of revenues and expenses for or on behalf of intercollegiate athletics programs affiliated and outside organizations to be included with the agreed-upon procedures report.

### **Results**

The Department identified the University of West Florida Foundation, Inc. (the Foundation) as the only outside organization acting on behalf of the Department. The Foundation serves as official legal conduits for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the Department. Included in the Department's Foundation accounts are the endowments of the Department.

We obtained the statement of changes in net assets of the Foundation accounts held for the Department for the year ended June 30, 2019, which represents revenues and expenditures on behalf of the Department.

Total revenues	\$ 996,539
Total expenses	\$ (1,144,781)

### **Finding**

No exceptions noted.

### **Procedure**

2. The independent accountant shall obtain and review the audited financial statements of the organization and any additional reports regarding internal control matters if the organization is audited independent of the agreed-upon procedures required by NCAA legislation. The Program's independent accountant shall also inquire of institutional and outside organization management as to corrective action taken in response to comments concerning internal control structure (if any).

### **Results**

We obtained and read the audited financial statements of the Foundation for the year ended June 30, 2019, and the related reports on compliance and on internal control. The results of this procedure disclosed that the independent auditors expressed an unmodified opinion on the financial statements of the Foundation. In addition, the independent auditors noted no matters involving internal control over financial reporting and its operation that were considered material weaknesses for the Foundation.

### **Finding**

No exceptions noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying statement of revenues and expenses (Exhibit I) and the accompanying notes to the statement of revenues and expenses (Exhibit II). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management University of West Florida Intercollegiate Athletics Program, the University of West Florida Board of Trustees, the Florida Board of Governors for the State University System, and the National Collegiate Athletic Association, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Tallahassee, Florida  
January 14, 2020

**UNIVERSITY OF WEST FLORIDA  
INTERCOLLEGIATE ATHLETICS PROGRAM  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019  
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'  
REPORT ON APPLYING AGREED-UPON PROCEDURES)**

<b>Revenues</b>	
1 Ticket sales	\$ 303,797
2 Direct state or other government support	-
3 Student fees	5,438,337
4 Direct institutional support	4,129,274
5 Less - transfers to institution	(6,549)
6 Indirect institutional support	-
6A Indirect institutional support - Athletic facilities debt service, lease and rental fees	-
7 Guarantees	46,179
8 Contributions	1,116,739
9 In-kind	-
10 Compensations and benefits provided by a third party	-
11 Media rights	-
12 NCAA distributions	115,111
13 Conference distributions (non media and non bowl)	3,600
13A Conference Distributions of Bowl Generated Revenue	-
14 Program sales, concessions, novelty sales and parking	11,835
15 Royalties, licensing, advertisements and sponsorships	412,072
16 Sports camp revenues	54,256
17 Athletics restricted endowment and investment income	38,296
18 Other operating revenue	68,349
19 Bowl revenues	-
Total operating revenues	<u>11,731,296</u>
<b>Expenses</b>	
20 Athletics student aid	3,092,003
21 Guarantees	5,340
22 Coaching salaries, benefits and bonuses paid by the University and related entities	2,200,513
23 Coaching salaries, benefits and bonuses paid by a third party	-
24 Support staff and administrative salaries, benefits and bonuses paid by the University and related entities	1,925,239
25 Support staff and administrative salaries, benefits and bonuses paid by a third party	-
26 Severance payments	-
27 Recruiting	101,308
28 Team travel	842,313
29 Sports equipment, uniforms and supplies	460,433
30 Game expenses	559,017
31 Fund raising, marketing and promotion	12,941
32 Sport camp expenses	8,733
33 Spirit groups	28,425
34 Athletic facilities debt service, leases and rental fees	25,000
35 Direct overhead and administrative expenses	701,038
36 Indirect institutional support	-
37 Medical expenses and medical insurance	393,836
38 Memberships and dues	43,048
39 Student-athlete meals (non-travel)	91,919
40 Other operating expenses	1,345,975
41 Bowl expenses	-
41A Bowl Expenses – Coaching Compensation/ Bonuses	-
Total operating expenses	<u>11,837,081</u>
<b>Deficiency of revenues under expenses</b>	<u>\$ (105,785)</u>
50 Excess transfers to institution	<u>\$ -</u>
51 Conference realignment expenses	<u>\$ -</u>
52 Total athletics related debt	<u>\$ -</u>
53 Total institutional debt	<u>\$ 43,700,223</u>
54 Value of athletics dedicated endowments	<u>\$ 1,452,003</u>
55 Value of institutional endowments	<u>\$ 76,399,307</u>
56 Total athletic capital expenditures	<u>\$ 243,879</u>

See notes to statement of revenues and expenses.

**UNIVERSITY OF WEST FLORIDA  
 INTERCOLLEGIATE ATHLETICS PROGRAM  
 NOTES TO STATEMENT OF REVENUES AND EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’  
 REPORT ON APPLYING AGREED-UPON PROCEDURES)**

(1) **Basis of Accounting:**

The statement of revenues and expenses of the University of West Florida Intercollegiate Athletics Program (the Program) has been prepared using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

(2) **Capital Assets:**

Capital assets of the Department consist of building structures, furniture, equipment, and computer software. These 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 gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Costs to maintain or repair these assets are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for new buildings, and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives of the assets. Current year additions includes \$52,306 of transfers from another University department.

- Building Structures – 10 to 50 years
- Furniture and Equipment – 5 to 20 years
- Computer Software – 5 years

Capital asset activity for the year ended June 30, 2019, was as follows:

	<b>Beginning Balance July 1, 2018</b>	<b>Additions</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2019</b>
Capital assets being depreciated:				
Building structures	\$ 272,942	\$ 221,959	\$ -	\$ 494,901
Furniture and fixtures	62,681	-	-	62,861
Equipment	684,957	74,226	34,546	724,637
Total capital assets being depreciated	<u>1,020,760</u>	<u>296,185</u>	<u>\$ 34,546</u>	<u>\$ 1,282,399</u>
Less: accumulated depreciation	394,375	152,375	31,589	515,161
Total capital assets, net	<u>\$ 626,385</u>	<u>\$ 143,810</u>	<u>\$ 2,957</u>	<u>\$ 767,238</u>

**UNIVERSITY OF WEST FLORIDA  
INTERCOLLEGIATE ATHLETICS PROGRAM  
NOTES TO STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019  
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’  
REPORT ON APPLYING AGREED-UPON PROCEDURES)**

(3) **Contributions:**

The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the Program. Contributions of \$1,116,739 were recognized from the Foundation for the year ended June 30, 2019, and have been included in the accompanying statement of revenues and expenses. Contributions received from the Foundation were the only contributions exceeding 10% of total contributions, as reported in the statement of revenues and expenses for the year ended June 30, 2019.

(4) **Debt:**

As of June 30, 2019, there was no outstanding debt related to the University of West Florida Intercollegiate Athletics Program.

**UNIVERSITY OF WEST FLORIDA**  
**DEPARTMENT OF INTERCOLLEGIATE ATHLETICS**  
**SUPPLEMENT TO STATEMENT OF REVENUES AND EXPENSES**  
**VARIATION ANALYSIS OF THE TOTAL REVENUE AND EXPENSES**  
**TO THE PRIOR PERIOD AMOUNTS AND BUDGET ESTIMATES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'**  
**REPORT ON APPLYING AGREED-UPON PROCEDURES)**

<b>Expenses</b>	<u>2019</u>	<u>2018</u>	<u>\$ Variance</u>	<u>% Variance</u>	<u>Variation Explanation</u>
40 Other operating expenses	1,345,975	729,194	616,781	85%	The variance is due to additional accruals being made in the current year as well as additional support from outside organizations.

**Note 1**

The budget estimates for the Department are not prepared in a format consistent with the revenue and expense categories specified by the NCAA. Thus, the variance analysis of total revenues and expenses to the budget estimates for the year ended June 30, 2019, could not be performed.

**UWF Board of Trustees Meeting**  
Audit and Compliance Committee  
February 13, 2020

**Issue:** External Audit: Financial Statement Audit — Florida Institute of Human and Machine Cognition (IHMC) for Fiscal Year Ending June 30, 2019

**Proposed action:** Acceptance

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**Background information:**

The Florida Institute for Human and Machine Cognition (IHMC) audit has been completed for fiscal year ending June 30, 2019.

In reference to the IHMC, section 1004.447(9), Florida Statutes provides: "The Board of Trustees of the University of West Florida shall annually certify to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Board of Governors that the corporation and its authorized subsidiaries are complying with the requirements of this section and are acting in the best interests of the state."

Per the Affiliation Agreement between UWF Board of Trustees and the IHMC, dated April 30, 2004, Item 9 states:

*"9. Financial Audit. The IHMC, at its sole expense, shall have an independent certified public accountant prepare an annual postaudit of the corporation's financial accounts and the financial accounts of any authorized and approved subsidiary. Copies of the annual audit report shall include management letters and the IHMC shall submit to the University of West Florida Board of Trustees, the Auditor General, and the Board of Governors for review."*

**Results:**

To ensure compliance with the agreement, we performed a cursory review and determined that compliance regarding the annual financial audit exists.

The independent auditor's report expressed an unmodified opinion. The audit report did not identify any material weaknesses in the internal control system and no instances of non-compliance were noted. The auditor's report on compliance for each major federal award program for IHMC expressed an unmodified opinion.

**Financial Highlights:**

- Net property and equipment as of June 30, 2019 was \$18,487,437.
- Long term debt as of June 30, 2019 was \$9,555,938. During 2019, the County refunded the \$12,000,000 industrial development revenue note and issued \$7,700,000 Capital Improvement Refunding Revenue Bonds, Series 2018. The refunding resulted in a gain of \$869,000.

**Recommendation:** Acceptance

**Implementation Plan:** None

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees of organizations affiliated with or through the University of West Florida.

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**Supporting document:**

Financial Statement Audit Report for the Florida Institute of Human and Machine Cognition for fiscal year ending June 30, 2019

**Prepared by:** Elizabeth Mrachek, Internal Auditor, emrachek@uwf.edu, 474-2636

**Presenter:** Cindy Talbert, Interim Internal Audit Director, 850-474-2638, ctalbert@uwf.edu

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**

**PENSACOLA, FLORIDA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**

**PENSACOLA, FLORIDA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Florida Institute for Human and Machine Cognition, Inc.  
Pensacola, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### 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.

### Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

-1-

Board of Directors  
Florida Institute for Human and Machine Cognition, Inc.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IHMC as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019, on our consideration of IHMC’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 IHMC’s internal control over financial reporting and compliance.



Pensacola, Florida  
November 5, 2019

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

**ASSETS**

	2019	2018
<b>Current Assets:</b>		
Cash	\$ 3,885,570	\$ 5,115,590
Restricted cash held by trustee	650,973	688,624
Grants and contracts receivables	3,358,058	2,984,530
Other receivables	-	17,703
Pledge receivable	47,794	97,794
Prepaid expenses	121,411	89,771
Total current assets	8,063,806	8,994,012
 <b>Property and Equipment, net</b>	 18,487,437	 18,481,425
 <b>Other Assets:</b>		
Deposits	12,522	12,522
 <b>Total Assets</b>	 \$ 26,563,765	 \$ 27,487,959

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 701,328	\$ 698,000
Accounts payable	1,077,486	1,007,973
Accrued payroll and related liabilities	548,935	485,820
Accrued interest	96,250	88,624
Refundable advances	219,179	43,802
Total current liabilities	2,643,178	2,324,219
 <b>Long-Term Debt, less current maturities</b>	 8,854,610	 10,490,792
Total liabilities	11,497,788	12,815,011
 <b>Net Assets:</b>		
Without donor restrictions	14,955,631	14,337,171
With donor restrictions	110,346	335,777
Total net assets	15,065,977	14,672,948
 <b>Total Liabilities and Net Assets</b>	 \$ 26,563,765	 \$ 27,487,959

The accompanying notes are an integral  
part of these financial statements.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>Change in Net Assets Without Donor Restrictions:</b>		
<b>Support, Revenue and Reclassifications:</b>		
Research and development grants and contracts -		
Federal, state and pass-through grants	\$ 6,349,960	\$ 6,844,604
Other grants and contracts	8,142,778	7,094,765
Legislative appropriation	3,239,184	3,739,184
Contributions	432,549	1,420,708
Other revenue	57,666	237,354
Net assets released from restrictions	231,931	153,468
	<b>18,454,068</b>	<b>19,490,083</b>
 <b>Expenses:</b>		
Program services -		
Research and development grants and contracts	15,577,359	14,968,177
Other program services	112,003	304,750
Total program services	<b>15,689,362</b>	<b>15,272,927</b>
Supporting services -		
Fundraising services -		
Salaries and employee benefits	65,006	58,436
Other fundraising expenses	-	8,441
	<b>65,006</b>	<b>66,877</b>
General and administrative	2,991,298	2,963,717
Total supporting services	<b>3,056,304</b>	<b>3,030,594</b>
	<b>18,745,666</b>	<b>18,303,521</b>
 Change in net assets without donor restrictions from operating activities	<b>(291,598)</b>	<b>1,186,562</b>
 <b>Nonoperating Activities:</b>		
Insurance proceeds	41,058	-
Gain on bond refund	869,000	-
Total nonoperating activities	<b>910,058</b>	<b>-</b>
 Change in net assets without donor restrictions	<b>618,460</b>	<b>1,186,562</b>

The accompanying notes are an integral  
part of these financial statements.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(Continued)**

	<u>2019</u>	<u>2018</u>
<b>Change in Net Assets With Donor Restrictions:</b>		
Contributions	6,500	243,798
Net assets released from restrictions	<u>(231,931)</u>	<u>(153,468)</u>
Change in net assets with donor restrictions	<u>(225,431)</u>	<u>90,330</u>
<b>Change in Net Assets</b>	393,029	1,276,892
<b>Net Assets, Beginning of Year</b>	<u>14,672,948</u>	<u>13,396,056</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 15,065,977</u></u>	<u><u>\$ 14,672,948</u></u>

The accompanying notes are an integral  
part of these financial statements.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	Program			General and Administrative	Fundraising	2019 Total
	Research and development grants and contract	Other program services	Total program services			
Salaries	\$ 6,900,399	\$ -	\$ 6,900,399	\$ 3,086,735	\$ 50,224	\$ 10,037,358
Payroll taxes	454,706	-	454,706	195,048	3,879	653,633
Employee benefit programs	1,220,705	-	1,220,705	552,677	10,903	1,784,285
Subcontract	1,540,048	-	1,540,048	-	-	1,540,048
Travel	516,233	6,726	522,959	135,220	-	658,179
Meals and entertainment	25,818	28,729	54,547	15,674	-	70,221
Insurance	-	-	-	228,137	-	228,137
Legal and professional	158,764	61,890	220,654	395,229	-	615,883
Occupancy, including in-kind	-	-	-	483,618	-	483,618
Interest expense	-	-	-	458,568	-	458,568
Repairs and maintenance	-	-	-	6,728	-	6,728
Office expenses	469,294	-	469,294	212,976	-	682,270
Bad debt	-	-	-	171,520	-	171,520
Telephone	-	-	-	63,571	-	63,571
Lobbying costs	-	-	-	149,550	-	149,550
Licenses and fees	41,973	-	41,973	79,500	-	121,473
Memberships and continuing education	710	-	710	33,014	-	33,724
Employee morale and welfare	1,521	-	1,521	39,011	-	40,532
Other	9,936	14,658	24,594	28,766	-	53,360
Depreciation	-	-	-	893,008	-	893,008
Indirect applied overhead, payroll taxes and employee benefits	4,237,252	-	4,237,252	(4,237,252)	-	-
<b>Total</b>	<b>\$ 15,577,359</b>	<b>\$ 112,003</b>	<b>\$ 15,689,362</b>	<b>\$ 2,991,298</b>	<b>\$ 65,006</b>	<b>\$ 18,745,666</b>

The accompanying notes are an integral  
part of these financial statements.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**  
**(Continued)**

	Program			General and Administrative	Fundraising	2018 Total
	Research and development grants and contract	Other program services	Total program services			
Salaries	\$ 6,900,518	\$ -	\$ 6,900,518	\$ 2,950,634	\$ 44,806	\$ 9,895,958
Payroll taxes	461,960	-	461,960	186,220	3,507	651,687
Employee benefit programs	1,256,632	-	1,256,632	491,826	10,123	1,758,581
Subcontract	1,496,080	-	1,496,080	-	-	1,496,080
Travel	516,694	8,746	525,440	133,965	-	659,405
Meals and entertainment	38,531	27,816	66,347	19,756	2,370	88,473
Insurance	-	-	-	208,503	-	208,503
Legal and professional	69,502	62,597	132,099	410,804	-	542,903
Occupancy, including in-kind	-	-	-	505,929	-	505,929
Interest expense	-	-	-	396,963	-	396,963
Repairs and maintenance	-	-	-	7,577	-	7,577
Office expenses	276,034	-	276,034	235,044	6,071	517,149
Bad debt	-	-	-	35,674	-	35,674
Telephone	-	-	-	68,856	-	68,856
Lobbying costs	-	-	-	153,913	-	153,913
Licenses and fees	27,626	-	27,626	44,379	-	72,005
Memberships and continuing education	6,571	-	6,571	40,225	-	46,796
Employee morale and welfare	1,328	-	1,328	22,033	-	23,361
Other	42,058	205,591	247,649	62,638	-	310,287
Depreciation	-	-	-	863,421	-	863,421
Indirect applied overhead, payroll taxes and employee benefits	3,874,643	-	3,874,643	(3,874,643)	-	-
<b>Total</b>	<b>\$ 14,968,177</b>	<b>\$ 304,750</b>	<b>\$ 15,272,927</b>	<b>\$ 2,963,717</b>	<b>\$ 66,877</b>	<b>\$ 18,303,521</b>

The accompanying notes are an integral  
part of these financial statements.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 393,029	\$ 1,276,892
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	893,008	863,421
Amortization of debt issuance costs	5,465	5,465
Bad debt expense	171,520	35,674
Donated stock	-	(1,117,535)
Gain on refund of long-term debt	(869,000)	-
Gain on sale of donated stock	-	(206)
Loss on disposition of property and equipment	125	-
Changes in operating assets and liabilities -		
Grants and contracts receivables	(545,048)	245,874
Pledge receivable	50,000	-
Other receivables	17,703	(17,703)
Prepaid expenses	(31,640)	1,415
Other assets	-	6,674
Accounts payable	69,513	617,233
Accrued payroll and related liabilities	63,115	24,183
Accrued interest	7,626	10,226
Refundable advances	175,377	1,519
Net cash provided by operating activities	400,793	1,953,132
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments	-	1,117,741
Purchases of property and equipment	(899,145)	(442,676)
Net cash provided by (used in) investing activities	(899,145)	675,065
<b>Cash Flows From Financing Activities:</b>		
Proceeds from note issuance	-	223,351
Principal payments of long-term debt	(769,319)	(741,511)
Decrease (Increase) in restricted cash for debt service	37,651	(28,559)
Net cash used in financing activities	(731,668)	(546,719)
<b>Net Increase (Decrease) in Cash</b>	(1,230,020)	2,081,478
<b>Cash at Beginning of Year</b>	5,115,590	3,034,112
<b>Cash at End of Year</b>	\$ 3,885,570	\$ 5,115,590
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	\$ 368,116	\$ 308,659
<b>Supplemental Disclosure of Non-Cash Investing Activities and Financing Activities:</b>		
Trade-in value received for property and equipment	\$ 19,250	\$ -
Gain on refund of long-term debt	\$ 869,000	\$ -
Refunding of long-term debt	\$ 7,700,000	\$ -
Purchase of land with long-term debt	\$ -	\$ 2,000,000

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Purpose:*

Florida Institute for Human and Machine Cognition, Inc. (“IHMC”) was organized as a Florida not-for-profit corporation on February 25, 2004, pursuant to Section 1004.447, Florida Statutes, exclusively as an information-technology related organization for research, education, scientific advancement, and economic development.

*Basis of Accounting:*

IHMC follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

*Basis of Presentation:*

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of IHMC and changes therein are classified as follows:

*Net assets with donor restrictions* are subject to donor-imposed stipulations that can be fulfilled by actions of IHMC pursuant to those stipulations, that expire by the passage of time, or the assets be maintained permanently, but permit IHMC to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

*Net assets without donor restrictions* are not subject to donor-imposed stipulations, or the donor-imposed restrictions have expired. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors, or may otherwise be limited by contractual agreements with outside parties.

*Use of Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles 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.

*Measure of Operations:*

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to IHMC’s ongoing activities. Non-operating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Legislative Appropriation:*

Support from legislative appropriation represents amounts received from the Florida state budget, general revenue fund.

*Contributions:*

Contributions are reported as revenues with donor restrictions if the donor limits the use of the donated assets. When the restrictions expire, these net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as *net assets released from restrictions*. Donor-restricted contributions are classified as revenues without donor restrictions if the restrictions are met in the same reporting period in which the contributions are received.

Unconditional promises to give are reported when the pledges are received at the present value of their net realizable value. Conditional promises to give are not recorded in the financial statements.

Noncash contributions are recorded at fair market value at the time of donation.

*In-Kind Contributions:*

Donated services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by IHMC. The computation of value for the contributions is based on the fair value of the contributed occupancy and donated services at the date received. These in-kind contributions are reported as support and expense in the period received.

*Grants and Contracts:*

Revenue from grants and contracts, awarded to and accepted by IHMC, is recognized as earned, that is, as the related allowable costs are incurred or the performance of milestones is achieved under the grant or contract agreements. Management considers all grants and contracts receivables at June 30, 2019 and 2018 to be fully collectible; therefore, no allowance for uncollectible accounts has been established.

Facilities and administrative costs recovered on grants and contracts are recorded at rates established by IHMC with its Federal cognizant agency, or predetermined by the non-Federal sponsor. Facilities and administrative cost rates for government grants and contracts are subject to audit, and subsequent final settlements, if any, are recorded as current period adjustments. Management believes the impact of any future settlements to be immaterial to the financial statements.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Restricted Cash:*

Restricted cash represents funds held by the note trustee for debt service.

*Debt Issuance Costs:*

Debt issuance costs are amortized over the term of the debt using the straight-line method since the difference between this method and the effective interest method is not material to the financial statements. Amortization of debt issuance costs is reported as interest expense in the statements of functional expenses and totaled \$5,465 for each of the years ended June 30, 2019 and 2018.

*Property and Equipment:*

Property and equipment are recorded at cost or at their estimated fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building	30 years
Computers and software	3-5 years
Machinery and equipment	5-10 years
Robotics	3-5 years
Furniture and fixtures	5 years
Vehicle	5 years

Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Costs of equipment that are acquired or constructed for research and development activities are generally expensed; however, equipment acquired or constructed which have alternative future uses in research and development projects or otherwise are also capitalized.

*Refundable Advances:*

Refundable advances represent funds received by IHMC, from grantor agencies that have not been spent at the end of the year. Advances must be returned to the grantor agency if not spent for their intended purpose within the grant period unless re-appropriated or extended by the grantor.

*Advertising Costs:*

Advertising costs are expensed when incurred.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Income Taxes:*

IHMC is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as a public charity. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

*New Accounting Pronouncement:*

During 2019, IHMC implemented Accounting Standards Update (“ASU”) 2016-14, *Not-For-Profit Entities-Presentation of Financial Statement of Not-for-Profit Entities (Topic 958)*. ASU 2016-14 requires not-for-profit entities to present on the statement of financial position amounts for two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) rather than the three classes previously required, add disclosure regarding the entity’s liquidity and allocation of expenses. ASU 2016-14 has been applied retrospectively. The adoption of this standard did not materially impact IHMC’s financial position, results of operations or cash flows.

*Subsequent Events:*

Management has evaluated subsequent events through November 5, 2019, the date which the financial statements were available for issue.

**NOTE 2 - RESTRICTED CASH HELD BY TRUSTEE**

Restricted cash is comprised of the following:

	2019	2018
Debt service -		
Note principal	\$ 554,723	\$ 600,000
Note interest	96,250	88,624
	\$ 650,973	\$ 688,624

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 3 - PLEDGE RECEIVABLE**

Pledge receivable at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 50,000	\$ 100,000
Less discounts to net present value	<u>2,206</u>	<u>2,206</u>
Net pledges receivable	<u>\$ 47,794</u>	<u>\$ 97,794</u>

The discount rate used to calculate net present value is 1.5%.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 3,316,994	\$ 3,316,994
Buildings	17,134,422	16,439,720
Computers and software	1,629,681	1,524,188
Machinery and equipment	1,579,594	1,463,774
Robotics	1,009,975	939,919
Furniture and fixtures	771,849	771,849
Vehicle	68,625	68,625
Art collection	5,950	5,950
Construction in progress	-	92,678
	<u>25,517,090</u>	<u>24,623,697</u>
Less accumulated depreciation and amortization	<u>7,029,653</u>	<u>6,142,272</u>
	<u>\$ 18,487,437</u>	<u>\$ 18,481,425</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$893,008 and \$863,421, respectively.

Construction in progress at June 30, 2018 represented costs for a new roof at the Ocala location.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 - PROPERTY AND EQUIPMENT (Continued)**

IHMC capitalizes interest costs on borrowings incurred during the construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Certain fixed assets of IHMC were purchased with federal, state and local grants and contracts. As a result, if such assets are disposed, the granting agency that participated in the funding of the purchase has a contractual right to participate in the proceeds from the disposition. Also, at the end of the project for which the asset was purchased, the granting agency has the right to reclaim such equipment. IHMC accounts for these items separately until final release of the item has been received by IHMC.

In September 2008, IHMC received a grant for \$958,300 from the U.S. Department of Commerce's Economic Development Administration ("EDA") for the renovation of the Ocala, Florida facility. The grant restricts the use of the building to research and development, unless an alternate purpose is approved by the grantor agency administrators. The EDA has determined the useful life of the project for purposes of this restriction to be 20 years.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consists of the following:

	2019	2018
\$12,000,000 Industrial Development Revenue Note, Series 2013, due in monthly installments of \$84,274 to \$101,179, from December 1, 2013 through September 1, 2028 with an interest rate of 3.14%, secured by mortgage and security agreement	\$ -	\$ 9,289,000
\$7,700,000 Capital Improvement Refunding Revenue Bonds, Series 2018, due in monthly installments of \$47,638 to \$76,667, from January 1, 2019 through September 1, 2028 with an interest rate of 5%, secured by mortgage and security agreement	7,700,000	-
\$2,000,000 Note, due in monthly installments of \$10,557, from August 21, 2017 through June 21, 2027, balloon payment due July 21, 2027, with an interest rate of 4%, secured by mortgage and security agreement	1,907,170	1,956,489
	9,607,170	11,245,489
Less unamortized debt issuance costs	51,232	56,697
	9,555,938	11,188,792
Less current maturities	701,328	698,000
	\$ 8,854,610	\$ 10,490,792
Long-term debt, less current maturities	\$ 8,854,610	\$ 10,490,792

Scheduled maturities on long-term debt are as follows:

2020	\$ 701,328
2021	713,420
2022	745,596
2023	772,861
2024	805,218
Thereafter	5,868,747
	\$ 9,607,170
	\$ 9,607,170

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 - LONG-TERM DEBT (Continued)**

In November 2013, Escambia County, Florida (“the County”), issued a \$12,000,000 industrial development revenue note to provide financial assistance to IHMC for the refunding of the Commission’s 2008 \$4,292,500 industrial revenue bonds, and for the financing of the construction of a new research facility. The note is payable solely from the payments received from the underlying financing agreement. Pursuant to the financing and construction agreements, IHMC agreed to make monthly installments to the County sufficient to pay all principal and interest amounts. IHMC executed and delivered a promissory note to the County, who is assigned all rights to receive payments from IHMC related to these agreements. The County has no obligation in any manner for repayment of the note. During 2014 and 2015, the County disbursed \$6,460,476 to IHMC to refund the Commission’s bonds payable, pay for new debt issuance costs, pay for architect costs and construction costs of the new research facility. During 2016, the County disbursed \$5,316,173 to IHMC to pay for construction costs of the new research facility. The remaining \$223,351 was disbursed by the County during 2018 as IHMC received the certificate of occupancy for the new research building. During 2019, the County refunded the \$12,000,000 industrial development revenue note and issued \$7,700,000 Capital Improvement Refunding Revenue Bonds, Series 2018. The refunding resulted in a gain of \$869,000.

**NOTE 6 - NET ASSETS**

Net assets with donor restrictions include contributions for specific purposes that have not yet been accomplished and unconditional promises to give with payments due in future periods to be used for the activities of IHMC. Net assets with donor restrictions at June 30, 2019 and 2018 are presented as follows:

	2019	2018
Educational Outreach Youth Programs	\$ 49,481	\$ 69,049
Research projects	56,991	100,000
Future periods	-	48,533
Capital improvements	-	107,322
Other	3,874	10,873
	\$ 110,346	\$ 335,777

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 7 - RETIREMENT PLANS**

IHMC established a defined contribution retirement plan that operates under Section 403(b) of the Internal Revenue Code on March 1, 2005. The purpose of the plan is to provide retirement benefits for participating employees. Benefits are provided through Teachers Insurance and Annuity Association (“TIAA”), College Retirement Equities Fund (“CREF”). The plan year begins on July 1 and ends on June 30. All benefits under the Plan are fully funded and provided through the funding vehicle(s) selected by the participant. Benefits are not subject to, nor covered by, federal plan termination insurance.

The plan covers substantially all employees except part-time and leased. IHMC contributes 11% of eligible employee’s compensation on a bi-weekly basis. Contributions to the plan amounted to \$979,006 in 2019 and \$971,864 in 2018.

In addition to the defined contribution plan, IHMC also established an elective deferral plan with TIAA CREF. To participate, an eligible employee must enter into a written salary reduction agreement with IHMC. Under the salary reduction agreement, the employee’s salary (paid after the agreement is signed) is reduced and the amount of the reduction is applied as premiums to the funding vehicles available under this plan.

IHMC has established an elective deferral plan that operates under Section 457(b) of the Internal Revenue Code. To participate, an eligible employee must enter into a written salary reduction agreement with IHMC. Under the salary reduction agreement, the employee’s salary (paid after the agreement is signed) is reduced and the amount of the reduction is applied as premiums to the funding vehicles available under this plan’s provider, Edward Jones.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

Prior to the creation of IHMC as a separate nonprofit entity, the University of West Florida Institute for Human and Machine Cognition (“UWF IHMC”) performed information-technology research as a research division of the University. To assist in the transition of UWF IHMC activities to IHMC, the University of West Florida (“the University”) and IHMC have entered into an affiliation agreement (“the agreement”) that addresses IHMC’s use of or participation in University programs and services, including monies, personnel or services, and the use of facilities. One member of IHMC’s Board of Directors serves on the Board of Trustees for the University. This individual is asked to abstain from voting on items before the Board of Directors that will be funded by the University.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

*Concentration of Credit Risk - Uninsured Cash Balances:*

IHMC maintains cash balances with two banks. In addition to the FDIC coverage provided by the two banks, the demand deposit accounts held at one bank are also protected under the Chapter 280, Florida Statutes, Public Deposits Trust Fund. At June 30, 2019, IHMC had cash balances in excess of insured limits of approximately \$1,954,000.

*Line of Credit:*

IHMC has a revolving, unsecured, \$2,000,000 line of credit with a financial institution. The line of credit carries interest of 2.5% over the one-month LIBOR rate and expires on February 25, 2020. IHMC had no amounts outstanding as of June 30, 2019 and 2018 under the line of credit.

*Lease Commitments:*

During the year ended June 30, 2019, IHMC began renting office equipment and office space under operating leases expiring through May 2022. Future minimum lease payments under these leases are as follow:

<u>Year ending June 30,</u>	
2020	\$ 19,895
2021	6,517
2022	<u>2,398</u>
	<u>\$ 28,810</u>

Rental expense for operating leases for the year ended June 30, 2019 was \$23,738.

*Contingencies:*

The Defense Contract Agency (“DCAA”) is the federal agency tasked with auditing grant compliance on behalf of the Office of Naval Research (“ONR”), which is IHMC’s cognizant agency. As noted in their audit reports for the fiscal years ended June 30, 2008 through 2013, DCAA had questioned a portion of indirect costs included in the indirect cost pool. In 2017, 2018 and 2019, ONR issued final indirect cost rates for the fiscal years ended June 30, 2008 through 2017. Some of the finalized rates were lower than those rates applied by IHMC during the time under audit. The overall effects of the lower rates cannot accurately be determined and as such, no provision for any possible payback has been recorded in the financial statements.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)**

*Contingencies (Continued):*

Grants and contracts require the fulfillment of certain conditions as set forth in the applicable agreements. Failure to fulfill the conditions could result in the return of funds to the grantors or contracting agencies. Although that is a possibility, IHMC deems the contingency remote, since by acceptance of the grants and contracts and their terms, it has structured the objectives of IHMC to meet the provisions of the agreements.

**NOTE 10 - LIQUIDITY**

IHMC's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 3,885,570
Grants and contracts receivable	3,358,058
Pledges receivable	<u>47,794</u>
	<u>\$ 7,291,422</u>

As part of IHMC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, IHMC has a \$2,000,000 line of credit which it could draw upon.

## **SUPPLEMENTARY INFORMATION**

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2019**

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Expenditures	Transfer to Subrecipients
<b><u>Research and Development Cluster:</u></b>				
<b><u>National Oceanic and Atmospheric Administration (NOAA)</u></b>				
<b><u>Cooperative Institutes</u></b>				
<b>Passed through Florida Atlantic University</b>				
The Cooperative Institute for Ocean Exploration, Research and Technology (CIOERT) Years 6-10	11.432	NA14OAR4320260	\$ 133,203	\$ -
<b><u>Office of Naval Research</u></b>				
Human Fuel for Optimizing Cold Water Performance	12.300	N00014-18-1-2115	439,453	-
High Speed Humanoid Behaviors for Urban Operations	12.300	N00014-19-1-2023	181,134	-
Advancing Artificial Intelligence for the Naval Domain	12.300	N00014-19-1-2308	154,843	-
<b>Total Office of Naval Research</b>			<u>775,430</u>	<u>-</u>
<b><u>Department of the Army</u></b>				
CWC DARPA - Communication with a Learning Collaborative Problem Solving Agent	12.910	W911NF-15-1-0542	1,761,657	603,366
<b><u>Army Research Laboratory</u></b>				
Intelligent Systems to Support Information Management, Soldier Interfaces, and Decision Making	12.431	W911NF-15-2-0076	649,756	60,000
WorldModeler	12.431	W911NF-167-1-0047	101,626	88,753
Collaborative World Modeling	12.910	W911NF-18-1-0464	479,719	-
<b>Total Army Research Laboratory</b>			<u>1,231,101</u>	<u>148,753</u>
<b><u>Department of the Air Force</u></b>				
<b><u>Air Force Research Laboratory</u></b>				
Wearable Sensor Suite and Cognitive Gauges for a Quantified Warrior	12.800	FA8650-16-1-6771	669,950	360,746
Naturalistic Decision Making Foundations of Explainable AI	12.910	FA8650-17-2-7711	412,175	202,658
<b>Total Department of the Air Force</b>			<u>1,082,125</u>	<u>563,404</u>

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Expenditures	Transfer to Subrecipients
<b><u>National Aeronautics and Space Administration,</u></b>				
<b><u>NASA Shared Services Center</u></b>				
Mobility and Planning Algorithms for NASA JSC Valkyrie Robot	43.001	80NSSC18M0071	669,672	-
Cervical Lymphatic	43.003	NNX16A069A	75,585	-
Advanced Concepts for Human Space Exploration	43.003	NNX11AR31A	91,203	-
Grasshopper Exercise Prototype	43.003	NNX17AJ56A	85,663	-
			<u>252,451</u>	<u>-</u>
Research, Development and Support of Open-Source Humanoid Robot Walking and Manipulation Algorithms and Diagnostic Software for NASA JSC Valkyrie Robot	43.009	NNX15AK18A	240,615	-
<b>Total National Aeronautics and Space Administration</b>			<u>1,162,738</u>	<u>-</u>
<b><u>National Science Foundation</u></b>				
NRI: Collaborative: Optimal Interaction Design Framework for Powered Lower-Extremity Exoskeletons	47.070	IIS-1427213	43,574	-
Collaborative Research: FITTLE+: Theory and Models for Smartphone Ecological Momentary Intervention	47.070	IIS-1757520	2,145	-
<b>Total National Science Foundation</b>			<u>45,719</u>	<u>-</u>
<b><u>National Institute on Aging</u></b>				
<b>Passed through University of Miami</b>				
A Personalized Health Behavior System to Promote Well-Being in Older Adult	93.866	SPC-000464	157,987	-
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,349,960</u>	<u>\$ 1,315,523</u>

NOTE: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

## **OTHER REPORTS AND SCHEDULE**

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors  
Florida Institute for Human and Machine Cognition, Inc.  
Pensacola, Florida

We have audited, 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, the financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered IHMC'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 IHMC's internal control. Accordingly, we do not express an opinion on the effectiveness of the IHMC'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of IHMC'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 the 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.

Board of Directors  
Florida Institute for Human and Machine Cognition, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether IHMC'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 IHMC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IHMC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida  
November 5, 2019

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Florida Institute for Human and Machine Cognition, Inc.  
Pensacola, Florida

**Report on Compliance for Each Major Federal Program**

We have audited Florida Institute for Human and Machine Cognition, Inc.'s (“IHMC”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on IHMC’s major federal program for the year ended June 30, 2019. IHMC’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for IHMC’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IHMC’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of IHMC’s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, IHMC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of IHMC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IHMC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IHMC's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida  
November 5, 2019

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2019**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Florida Institute for Human and Machine Cognition, Inc.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of Florida Institute for Human and Machine Cognition, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for Florida Institute for Human and Machine Cognition, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major federal program for Florida Institute for Human and Machine Cognition, Inc. which are required to be reported in accordance with Section 2 CFR section 200.516(a) of the Uniform Guidance.
7. The program tested as the major program included the following:

**Federal Program**

Research and Development Cluster:

National Oceanic and Atmospheric Administration (NOAA)	
Cooperative Institutes	CFDA No. 11.432
Basic and Applied Scientific Research	CFDA No. 12.300
Basic Scientific Research	CFDA No. 12.431
Air Force Defense Research Sciences Program	CFDA No. 12.800
Research and Technology Development	CFDA No. 12.910
Science	CFDA No. 43.001
Exploration	CFDA No. 43.003
Cross Agency Support	CFDA No. 43.009
Computer and Information Science and Engineering	CFDA No. 47.070
Aging Research	CFDA No. 93.866

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

**A. SUMMARY OF AUDITOR'S RESULTS (Continued)**

8. The threshold used for distinguishing between Type A and B programs was \$750,000 for major federal programs.
9. Florida Institute for Human and Machine Cognition, Inc. was determined to be a low-risk auditee pursuant to the Uniform Guidance.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS**

There were no findings and questioned costs relating to the major federal award program which are required to be reported in accordance with the Uniform Guidance.

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
February 13, 2020

**Issue:** External Audit: WUWF-FM Financial Statement Audit  
for Fiscal Year Ending June 30, 2019

**Proposed action:** Acceptance

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**Background information:**

Annually, a financial audit is conducted of the WUWF-FM, a public telecommunications entity operated by UWF. This is to comply with the Corporation for Public Broadcasting (CPB) community service grant requirements. The audit report was issued on December 20, 2019. To ensure compliance with these requirements, we performed a cursory review of these special purpose financial statements and determined WUWF was in compliance.

**Results:**

WUWF received a clean unqualified opinion. No deficiencies were identified in the internal controls over financial reporting that were considered to be material weaknesses. Results of testing disclosed no instances of noncompliance or other matters that were required to be reported.

**Financial Highlights:**

- Operating revenues decreased \$392,314 compared to last year mainly due to a decrease in appropriations from UWF which was related to the prior year's one-time appropriation of approximately \$200,000 for replacement of the damaged radio transmitter, and a decrease in membership income due to a prior year one-time estate gift of \$150,000.
- The decrease in operating expenses of \$147,836 was spread among the categories of programming and production, broadcasting, and program information and promotion functional expenses, with broadcasting seeing the largest share of the decrease due to the prior years' loss on disposal of asset for writing off the old damaged transmitter.

**Recommendation:** Acceptance

**Implementation Plan:** None

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees of activities affiliated with or through the University of West Florida.

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**Supporting documents:**

WUWF-FM Financial Statements for fiscal year ended June 30, 2019

**Prepared by:** Elizabeth Mrachek, Internal Auditor, emrachek@uwf.edu, 474-2636

**Presenter:** Cindy Talbert, Interim Internal Audit Director, 850-474-2638, ctalbert@uwf.edu

December 20, 2019

To the Board of Trustees  
WUWF-FM  
11000 University Parkway  
Pensacola, FL 32514

We have audited the financial statements of WUWF-FM, for the year ended June 30, 2019 and 2018, and have issued our report thereon dated WUWF-FM December 20, 2019. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated October 31, 2019 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of WUWF-FM solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, other individuals in our firm, and our firm has complied with all relevant ethical requirements regarding independence.

121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386-257-4100

133 East Indiana Avenue  
DeLand, FL 32724-4329  
Telephone: 386-738-3300

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850-386-6184

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by WUWF-FM is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of depreciation expense is based on the underlying assets depreciation calculated using the straight-line method over the assets' useful lives. We evaluated the key factors and assumptions used to develop the estimate of depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of functional expense allocation is based on the costs of providing the various programs and other activities. We evaluated the key factors and assumptions used to develop the functional expense allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of indirect support provided by the University of West Florida is based on the allocation of institutional support and physical plant cost incurred by the Station. We evaluated the key factors and assumptions used to develop the estimate of indirect support provided by the University of West Florida in determining that it is reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements are the disclosures relating to commitments and contingencies.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of our audit.

## Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The entry below summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

	Debit	Credit
Other Revenues - Transfer In - PPE	7,496.00	
Depreciation Expense - PPE		7,496.00

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

## Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to WUWF-FM's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

## Representations Requested from Management

We have requested certain representations from management which are included in the attached letters December 20, 2019.

## Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In our normal course of our professional association with WUWF-FM, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as WUWF-FM's auditors.

This report is intended solely for the information and use of the Board of Trustees and management of WUWF-FM and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "James Moore & Co., P.L." The signature is written in black ink and is positioned above the printed name of the firm.

JAMES MOORE & CO., P.L.

December 20,  
2019

James Moore & Co., P.L.  
2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308

This representation letter is provided in connection with your audit of the basic financial statements of WUWF-FM as of June 30, 2019 and 2018 and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of WUWF-FM in conformity with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter.

#### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 31, 2019 for the preparation and fair presentation of the financial statements of in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

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- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statements all assets and liabilities under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Reclassifications between net asset classes are proper.
- The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to the supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the schedule of functional expenses in accordance with accounting principles generally accepted in the United States of America.
  - We believe the schedule of functional expenses, including its form and content, is fairly presented in accordance with generally accepted accounting principles.
  - The methods of measurement or presentation have not changed from those used in the prior period.
  - We believe the cost allocations underlying the measurement or presentation of the schedule of functional expenses, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
  - When the schedule of functional expenses is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of functional expenses no later than the date of issuance by the entity of the schedule of functional expenses and the auditor's report thereon.
- With respect to the required supplementary information accompanying the financial statements:
    - We acknowledge our responsibility for the presentation of Management's Discussion and Analysis in accordance with Governmental Accounting Standards.
    - We believe Management's Discussion and Analysis, including its form and content, is measured and fairly presented in accordance with Governmental Accounting Standards.
    - The methods of measurement or presentation have not changed from those used in the prior period.

#### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- WUWF-FM has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which WUWF-FM University of West Florida is contingently liable.
- WUWF-FM has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Signature:   
 Title: Assistant Controller

**WUWF-FM  
A PUBLIC TELECOMMUNICATIONS ENTITY  
OPERATED BY THE  
UNIVERSITY OF WEST FLORIDA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**WUWF-FM**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY**  
**THE UNIVERSITY OF WEST FLORIDA**  
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**JUNE 30, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,  
University of West Florida:

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

We have audited the accompanying financial statements of WUWF-FM (the "Station"), a public telecommunications entity operated by the University of West Florida, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

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

The Station's 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditor's 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.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WUWF-FM as of June 30, 2019 and 2018, and the changes in its net position and its 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 as indicated in the table of contents to 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WUWF-FM's basic financial statements. The Schedule of Functional Expenses (Exhibit I) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Functional Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Functional Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of WUWF-FM'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 WUWF-FM's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida  
December 20, 2019

**WUWF-FM**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY**  
**THE UNIVERSITY OF WEST FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018**

**INTRODUCTION AND REPORTING ENTITY**

The following discussion and analysis is an overview of the financial position and activities of WUWF Radio Station for the years ended June 30, 2019 and 2018. Management of WUWF Radio Station has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section. Our discussion and analysis is required by accounting principles generally accepted in the United States of America in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Governmental Accounting Standards Board has not developed accounting standards for presentation of auxiliary (or departmental) entities. The Station's accounting policies and practices do, however, conform to those permitted or allowed by the Corporation for Public Broadcasting (CPB), which generally follow published Governmental Accounting Standards. The overview presented below highlights the significant financial activities that occurred during the past year and describes changes in financial activity from the prior year.

WUWF-FM Radio Station is a public telecommunications entity operated by the University of West Florida. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Serving Northwest Florida and South Alabama, WUWF Public Radio is one of the most visible and active examples of the University of West Florida's public service and outreach mission, pursuing and nurturing mutually beneficial community partnerships and enhancing the educational, cultural and economic development of the region.

WUWF is a high profile, cost effective example of UWF's commitment to the citizens of Florida. WUWF delivers the university's resources daily to thousands who live in areas which might otherwise be culturally or educationally isolated. Businesses use access to WUWF's prestigious NPR programming to recruit quality employees with metropolitan expectations.

The station broadcasts 24 hours a day, delivering a 100,000 watt signal at the frequency 88.1FM. The station simultaneously broadcasts a hybrid digital (HD) signal delivering three distinct program services: HD-1 providing 24/7 local, regional & national news and musical arts programming; HD-2 providing 24/7 classical music; and HD-3 providing Sightline, a 24/7 reading service for the vision impaired. All of the program streams can also be accessed online at <http://wuwf.org> or through the WUWF Mobile App.

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**JUNE 30, 2019 AND 2018**  
(Continued)

WUWF supports the university's academic mission by providing opportunities for students to gain professional experience to supplement classroom instruction. Faculty have a platform for sharing their academic research with the general public. Through collaborative programs involving faculty, WUWF's audience is made aware of the university's connection and importance to the community. WUWF is a founding station of the Florida Public Radio Emergency Network, providing year round emergency information before, during, and after significant weather events and other emergencies.

With a professional staff of 14 and nearly 25 volunteers, WUWF is known for outstanding locally produced news coverage and programming like Unearthing Florida, Acoustic Interlude, 14/59, Big Bands & Jazz, Musical Gumbo and RadioLive.

As a founding member of the Florida Public Radio Emergency Network (FPREN), WUWF is recognized by the Florida Department of Emergency Management as the primary source of emergency information for Northwest Florida. In times of crisis, WUWF transcends its role of life enrichment to that of lifeline, partnering with regional governments and agencies in providing critical information.

As a listener supported station, WUWF operates largely with contributions from individual listeners and local businesses. The University of West Florida provides funds for salaries, facilities, and general upkeep and utility bills. Grants from the Corporation for Public Broadcasting and the Florida Department of Education provide funds for salaries and national program acquisition costs.

### **FINANCIAL HIGHLIGHTS**

The Station's operating revenues totaled \$2,099,293 down \$392,314 from last year and operating expenses totaled \$2,082,319 which is down \$147,836 from last year. The decrease in operating revenues were mainly due to a \$224K decrease in appropriations from UWF which was due to the prior year one-time increase of \$200K for replacement of the damaged radio transmitter, and a \$150K decrease in membership income due to a prior year one-time estate gift of \$150K. The decrease in operating expenses were spread among the categories of programming and production, broadcasting, and program information and promotion functional expenses, with Broadcasting seeing the largest share of the decrease due to the prior years' loss on disposal of asset for writing off the old damaged transmitter.

The Station experienced an overall decrease of (\$6,303) in non-operating revenue due more timid market performance on investments compared to the prior year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Station is a unit of University of West Florida, and these financial statements include assets, liabilities and activity related to its public broadcasting function. This includes account activity in funds which are under the control of the Station manager within the University and University of West Florida Foundation.

**WUWF-FM**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018**  
(Continued)

These financial statements consist of statements of net position and statements of revenues, expenses, and changes in net position. The statements of net position and the statements of revenues, expenses, and changes in net position are intended to demonstrate the Station's financial position as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The statement of net position and the statement of revenues, expenses, and changes in net position are valuable report information on WUWF's Current Fund and activities in a way that helps the reader determine if the Station is in a better position from one year to the next. When revenues and other support exceed expenses, the result is an increase in net position. The relationship between revenues and expenses may be thought of as WUWF's operating results.

These two statements report WUWF's net position and changes in them. The net position amount, the difference between assets and liabilities, is one way to measure WUWF's financial health or financial position. Over time, increases or decreases in WUWF's net position are one indicator of whether its financial health is improving or deteriorating. However, many other non-financial factors such as certain trends in funding, condition of facilities and sponsorships should be considered in assessing the overall health of the radio station.

These statements are prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statement of net position presents the assets, liabilities, and net position of WUWF's Current Fund as of the end of the fiscal year. Its purpose is to present to the readers of the financial statements a fiscal snapshot of the station's current fund at a certain point in time. The statement of net position presents end-of-year data concerning assets, (current and non-current), liabilities (current and non-current), and net position (assets minus liabilities).

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of WUWF Radio Station. They are also able to determine how much the current fund owes vendors, employees, and others. Finally, the statement of net position provides a picture of the net position (assets minus liabilities) and their availability for use by WUWF.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018**  
(Continued)

**CONDENSED STATEMENTS OF NET POSITION**  
**TABLE 1**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current assets	\$ 1,083,530	\$ 997,222	\$ 734,243
Noncurrent assets	611,601	647,383	613,922
Total assets	<u>1,695,131</u>	<u>1,644,605</u>	<u>1,348,165</u>
Current liabilities	85,119	80,460	92,916
Noncurrent liabilities	158,286	151,659	132,783
Total liabilities	<u>243,405</u>	<u>232,119</u>	<u>225,699</u>
Net position			
Invested in capital assets	611,601	647,383	613,922
Restricted	296,083	314,643	313,867
Unrestricted	544,042	450,460	194,677
Total net position	<u>\$ 1,451,726</u>	<u>\$ 1,412,486</u>	<u>\$ 1,122,466</u>

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**TABLE 2**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues			
Operating revenues	\$ 2,099,293	\$ 2,491,607	\$ 1,877,769
Non-operating revenues	22,265	28,568	35,755
Total revenues	<u>2,121,558</u>	<u>2,520,175</u>	<u>1,913,524</u>
Expenses			
Total expenses	2,082,319	2,230,155	1,846,771
Increase (decrease) in net position	<u>\$ 39,239</u>	<u>\$ 290,020</u>	<u>\$ 66,753</u>

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**JUNE 30, 2019 AND 2018**  
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**REQUEST FOR INFORMATION**

This financial narrative is designed to provide a general overview of the Station's finances and to show accountability for the contributions received by the Station. If you have questions about this report or a need for additional financial information, contact the Station at:

WUWF  
11000 University Parkway  
Pensacola, FL 32514  
(800) 239-9893 (850) 474-2787

**WUWF-FM**  
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**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 617,011	\$ 551,274
Funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station	427,960	413,758
Accounts and grants receivable	9,413	6,980
Prepaid program costs	29,146	25,210
Total current assets	1,083,530	997,222
<b>Noncurrent assets</b>		
Capital assets, net of accumulated depreciation	611,601	647,383
<b>Total assets</b>	1,695,131	1,644,605
<b><u>LIABILITIES</u></b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	42,790	37,216
Unearned revenue	33,191	34,575
Current portion of compensated absences	9,138	8,669
Total current liabilities	85,119	80,460
<b>Noncurrent liabilities</b>		
Long-term portion of compensated absences	158,286	151,659
<b>Total liabilities</b>	243,405	232,119
<b><u>NET POSITION</u></b>		
<b>Net position</b>		
Net investment in capital assets	611,601	647,383
Unrestricted	544,042	450,460
Restricted:		
Expendable	146,083	164,643
Nonexpendable - Endowment	150,000	150,000
Total net position	\$ 1,451,726	\$ 1,412,486

The accompanying notes to financial statements  
are an integral part of these statements.

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**STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating revenues</b>		
Community service grants donated by the Corporation for Public Broadcasting	\$ 146,971	\$ 145,839
Community service grants donated by the Florida Department of Education	100,000	99,548
Appropriations from the University of West Florida	675,860	899,585
Business and industry support	225,495	247,520
Membership income	497,830	646,902
Donated facilities and administrative support from the University of West Florida	381,420	344,907
In-kind contributions	14,984	17,039
Other sources	56,733	90,267
Total operating revenues	<u>2,099,293</u>	<u>2,491,607</u>
<b>Operating expenses (Exhibit I)</b>		
Programming and production	1,098,934	1,106,189
Broadcasting	291,957	402,631
Program information and promotion	18,052	25,158
Management and general	295,844	277,118
Fundraising and membership development	249,794	295,545
Underwriting and grant solicitation	127,738	123,514
Total operating expenses	<u>2,082,319</u>	<u>2,230,155</u>
<b>Operating gain</b>	<u>16,974</u>	<u>261,452</u>
<b>Non-operating revenues</b>		
Interest income	7,996	6,054
Net increase in fair value of investments	14,269	22,514
Total non-operating revenues	<u>22,265</u>	<u>28,568</u>
<b>Increase in net position</b>	<u>39,239</u>	<u>290,020</u>
<b>Net position, beginning of year</b>	1,412,486	1,122,466
<b>Net position, end of year</b>	<u>\$ 1,451,725</u>	<u>\$ 1,412,486</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**WUWF-FM**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Cash received from grants, donors and fundraising activities	\$ 1,023,212	\$ 1,018,290
Cash paid to suppliers and vendors	(614,191)	(354,457)
Cash paid to employees for salaries and benefits	(331,201)	(402,291)
Net cash provided by operating activities	<u>77,820</u>	<u>261,542</u>
<b>Cash flows from investing activities</b>		
Purchases of equipment	(20,146)	(10,908)
Purchases of funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station, net of fees	(14,202)	(140,827)
Investment income	22,265	6,054
Net cash provided by (used in) investing activities	<u>(12,083)</u>	<u>(145,681)</u>
<b>Net increase in cash and cash equivalents</b>	<u>65,737</u>	<u>115,861</u>
<b>Cash and cash equivalents, beginning of year</b>	551,274	435,413
<b>Cash and cash equivalents, end of year</b>	<u>\$ 617,011</u>	<u>\$ 551,274</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
<b>Operating income</b>	<u>\$ 16,974</u>	<u>\$ 261,452</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>		
Depreciation	55,929	59,512
Loss on disposal of asset	-	124,161
Fixed asset appropriations received from the University	-	(206,226)
(Increase) decrease in certain assets:		
Accounts and grants receivable	(2,433)	2,930
Prepaid program costs	(3,936)	13,293
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	5,574	(4,883)
Compensated absences	7,096	19,793
Unearned revenue	(1,384)	(8,490)
Total adjustments	<u>60,846</u>	<u>90</u>
<b>Net cash provided by operating activities</b>	<u>\$ 77,820</u>	<u>\$ 261,542</u>
<b>Supplemental schedule of non-cash investing activities:</b>		
Fixed asset appropriations received from the University	<u>\$ -</u>	<u>206,226</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**WUWF-FM**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of WUWF-FM (the “Station”), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Station is a department of the University of West Florida (the “University”) located in Pensacola, Florida and conducts various public broadcasting functions. The President of the University of West Florida is responsible for the management of the University and the Station operates as a department of the University under the control of the Station manager. The financial statements include only those funds under the administrative control of the Vice President for Advancement, that relate directly to the operations of the Station, including funds held by University of West Florida Foundation, Inc. (the “Foundation”). These statements do not purport to present the financial position or results of operations for the University as a whole.

(b) **Basis of accounting**—For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those of private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. The Station’s accounting policies conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

(c) **Restricted**—consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

*Nonexpendable restricted net position*—consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Expendable restricted net position*—includes resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

(d) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash in demand accounts with original maturities of three months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by federal depository insurance up to specified limits, or collateralized with securities held in Florida’s multiple financial institution collateral pool in accordance with Florida statutes.

(e) **Investments**—Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Costs incurred for programs not yet broadcast**—Costs incurred for programs not yet broadcast (prepaid program costs) are recorded as a deferred asset. Such costs relate to programs purchased or produced by the Station that will be broadcast subsequent to year end. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as long-term. At June 30, 2019 and 2018, there were no long-term costs incurred for programs not yet broadcast. As the programs are broadcast, the costs incurred will be included in program services. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value.

(g) **Capital assets**—Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets ranging from five to fifty years.

(h) **Revenue recognition**—State appropriations are recorded as support in the statements of revenues, expenses and changes in net position when an expenditure is recorded.

Membership contributions are recognized as support in the period they are received.

Program production grants are reported as unearned revenues for programs not yet broadcast until the specific program is broadcast. At such time, amounts are included as revenues and the expenditures are recorded.

Revenue related to program underwriting for subsequent fiscal years is reflected as unearned revenues in the accompanying statements of net position. Revenue is recognized when the related program is aired.

Contributed support represents expenses paid on behalf of the Station by others outside the reporting entity, and includes contributed professional services, donated materials or facilities, and indirect administrative support.

(i) **In-kind contributions**—Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, materials and other nonmonetary contributions as support in the accompanying statements of revenues, expenses, and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Pledges and contributions**—The Station engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors and not shown as assets on the statements of net position. Contributions and collected pledges are components of the unrestricted operating fund in as much as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

(k) **Corporation for Public Broadcasting Community Service Grants**—The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for helping fund more than 1,500 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

(l) **Indirect support provided by the University of West Florida**—Indirect support from the University consists of allocated institutional support and physical plant costs incurred by the University for which the Station receives benefits. The fair value of this support is recognized in the statements of revenues, expenses, and changes in net position as donated facilities and administrative support and is allocated as an expense to each of the functional expense categories.

(m) **Production revenue**—The Station uses the percentage-of-completion method of accounting for production revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to the estimated total costs at completion applied to the total committed revenues from outside sponsors. Production costs include charges by subcontractors plus all direct labor and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred. Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

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(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Program and production underwriting**—Revenue for program underwriting is recorded on a pro-rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis.

(o) **Operating activities**—The Station’s policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting and instructional technology services, and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

(p) **Income taxes**—The Station is owned and operated by the University of West Florida which is an agency of the State of Florida with the power to operate as a body corporate. Florida Statute 1001.72(2) states that the corporation is constituted as a public instrumentality, and the exercise by the corporation is considered to be the performance of an essential public function. This meets the criteria for the “essential government function test” as described in described in Section 115 (1) I.R.C. Accordingly, the Station is exempt from Federal income taxes. However, income from certain event activities related to the stations purpose is subject to taxation as unrelated business income.

(q) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

(r) **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, accordingly, results could differ from those estimates.

(s) **Compensated absences**—The liability for compensated absences represents employees’ accrued annual and sick leave based on length of service subject to certain limitations as defined by state statute and University policies.

(t) **Advertising Costs**—Advertising costs are expensed in the period in which they are incurred. The advertising expenses were \$813 and \$778 as of June 30, 2019 and June 30, 2018, respectively.

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(1) **Summary of Significant Accounting Policies:** (Continued)

(u) **Accounts Receivable**—Consists of pledged donations or sponsorships and grants receivable:

All non-endowed pledges are stated at the amount management expects to collect from outstanding balances. Receivables are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest. Based on the Station's historical information, credit losses, when realized, have not been significant, accordingly no discount is recognized.

Grants receivable are collected within the year and have not had any prior credit losses, accordingly, these receivables are carried at an estimated collectible amount, do not bear interest, and have no discount either.

(2) **Funds Held by the University of West Florida Foundation, Inc. on Behalf of the Station:**

The Station has an agreement with the University of West Florida Foundation, Inc., whereby Station funds are held and invested by the University of West Florida Foundation, Inc. on behalf of the Station. These amounts are included in the accompanying financial statements of the Station as "Funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station."

All funds held and invested by the Foundation on behalf of the Station are invested in uninsured and unregistered investments, which are held in the name of the Foundation. All funds held and invested by the Foundation on behalf of the Station are reflected at fair value. The Foundation categorizes the fair value measurement of these investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Station has the following recurring fair value measurements for funds held and invested by the Foundation of \$427,960 and \$413,758 as of June 30, 2019 and 2018, respectively. Funds held and invested by the Foundation are recorded at the Station's ownership of a share of an investment pool, not the underlying securities. These funds are valued at NAV of units held, as reported by the Foundation. The Station reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of these investments. Because the investment pool is not readily marketable, NAV is used as a practical expedient, and the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for such investment existed, and differences could be material. The Station relies on policies developed and administered by the University and the Foundation for managing interest rate risk or credit risk for these investment pools.

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**(3) Capital Assets:**

Capital asset activity for the years ended June 30, 2019 and 2018, was as follows:

	<b>July 1, 2018 Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2019 Ending Balance</b>
Building	\$ 1,202,643	\$ -	\$ -	\$ 1,202,643
Furniture and fixtures	744,361	20,147	(32,770)	731,738
Total	<u>1,947,004</u>	<u>20,147</u>	<u>(32,770)</u>	<u>1,934,381</u>
Less: Accumulated depreciation	(1,299,621)	(55,929)	32,770	(1,322,780)
Capital assets, net	<u>\$ 647,383</u>	<u>\$ (35,782)</u>	<u>\$ -</u>	<u>\$ 611,601</u>

	<b>July 1, 2017 Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018 Ending Balance</b>
Building	\$ 1,202,643	\$ -	\$ -	\$ 1,202,643
Furniture and fixtures	708,926	217,134	(181,699)	744,361
Total	<u>1,911,569</u>	<u>217,134</u>	<u>(181,699)</u>	<u>1,947,004</u>
Less: Accumulated depreciation	(1,297,647)	(59,512)	57,538	(1,299,621)
Capital assets, net	<u>\$ 613,922</u>	<u>\$ 157,622</u>	<u>\$ (124,161)</u>	<u>\$ 647,383</u>

**(4) State Retirement Plans:**

**General State Employees' Retirement System**

The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for military service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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(4) **State Retirement Plans:** (Continued)

**General State Employees' Retirement System** (Continued)

A Deferred Retirement Option Program (DROP) subject to provisions of Sections 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**State University System Optional Retirement Program**

Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. For the fiscal years ended June 30, 2019 and June 30, 2018, the employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.65 percent, and employees contribute 3 percent of the employee's salary. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

Disclosures pertaining to the University's retirement plans that are required by Statement No. 68 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2019 and 2018. The Department's contributions to the plans for the years ended June 30, 2019 and 2018 were \$50,716 and \$45,450, respectively.

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**(5) Postemployment Benefits**

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University or its component units, University of West Florida Foundation, Inc., West Florida Historic Preservation, Inc., and UWF Business Enterprises, Inc., are eligible to participate in the State Group Health Insurance Program, an agent multiple employer defined-benefit plan. The University subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The benefits provided under this defined benefit plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the University. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Disclosures pertaining to the University's postemployment benefits are required by Statement No. 75 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2019 and 2018.

**(6) Risk Management Programs:**

Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance coverage for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal civil rights, and employment discrimination liability. During the 2018-19 fiscal year, for property losses, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$78 million for named wind and flood. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 million starting February 15, 2018; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage. All losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees' Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

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**(7) Significant Concentrations:**

Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Station, except as otherwise disclosed, is as follows:

(a) **Cash and cash equivalents**—The Station has demand deposits held at financial institutions for the University which are secured up to FDIC limits. Amounts in excess of this limit are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to \$617,011 and \$551,272 at June 30, 2019 and 2018, respectively.

(b) **Funds held by the Foundation**—The Foundation holds cash/investments for the Station. The amount held by the Foundation for the Station was \$427,960 and \$413,758 at June 30, 2019 and 2018, respectively. The Station has no policy requiring collateral or other security to support these amounts.

(c) **Revenues**—The Station received significant revenue from three sources. The CPB provided approximately 7% and 6%, Florida DOE provided 5% and 4%, and the University provided approximately 50% and 50% in cash support and donated facilities during the years ended June 30, 2019 and 2018, respectively.

(d) **Accounts, grants and pledges receivable**—The Station has grants and accounts receivable of \$9,413 and \$6,980 at June 30, 2019 and 2018, respectively. The Station has no policy requiring collateral or other security to support these amounts.

**(8) Compensated Absences:**

Compensated absences liability activity for the years ended June 30, 2019 and 2018, was as follows:

<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>	<b>Amount Due Within 1 Year</b>
\$ 160,328	\$ 162,461	\$ 155,365	\$ 167,424	\$ 9,138
<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>	<b>Amount Due Within 1 Year</b>
\$ 140,535	\$ 154,230	\$ 134,437	\$ 160,328	\$ 8,669

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(9) **Community Service Grants:**

The Station receives a CSG from the Corporation for Public Broadcasting annually. The CSGs received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Received	Expended			Uncommitted Balance at June 30, 2019
		2016-17	2017-18	2018-19	
2016-18-Unres	\$ 110,676	\$ 7,555	\$ 99,495	\$ 3,011	\$ 615
2016-18-Rest	39,028	19,514	19,514	-	-
2017-19-Unres	107,910	-	42,477	65,433	-
2017-19-Rest	38,370	-	9,593	28,777	-
2018-19 Rest	109,979	-	-	55,120	54,859
2018-19-Unres	38,992	-	-	9,742	29,250
Total	\$ 444,955	\$ 27,069	\$ 171,079	\$ 162,083	

(10) **Nonfederal Financial Support (NFFS):**

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the Federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$1,918,476 and \$2,264,679 for the years ended June 30, 2019 and 2018, respectively.

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(11) **Pronouncements Issued:**

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.

GASB also issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB No. 84 seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions in GASB No. 84 are effective for fiscal years beginning after December 15, 2018.

The Station is currently evaluating the effects that implementation of the new standards will have on its financial position, results of operations, and cash flows.

## **SUPPLEMENTAL INFORMATION**

**WUWF-FM**  
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**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED**  
**INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services				Supporting Services				Total Expenses	2018 Total Expenses
	Programming and Production	Broadcasting	Program Information and Promotion	Total	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total		
Salaries, payroll taxes and employee benefits	\$ 476,014	\$ 84,703	\$ -	\$ 560,717	\$ 191,431	\$ 103,592	\$ 92,486	\$ 387,509	\$ 948,226	968,322
Professional services	16,701	68,765	1,179	86,645	19,340	3,004	-	22,344	108,989	115,569
Facilities and administrative support from the University of West Florida	171,938	34,561	11,855	218,354	75,305	59,845	35,252	170,402	388,756	351,536
Office supplies	14,107	1,835	564	16,506	1,087	4,656	-	5,743	22,249	51,725
Telephone and utilities	788	49,499	13	50,300	279	-	-	279	50,579	46,588
Postage and freight	-	-	2,953	2,953	46	2,637	-	2,683	5,636	7,042
Advertising	-	-	500	500	263	50	-	313	813	778
Repairs and maintenance of equipment	-	10,367	-	10,367	-	-	-	-	10,367	3,838
Printing and publications	779	89	171	1,039	12	16,588	-	16,600	17,639	15,034
Travel and training	9,588	811	817	11,216	2,596	451	-	3,047	14,263	17,157
Programming	369,933	2,042	-	371,975	-	-	-	-	371,975	380,513
Subscriptions and fees	22,307	135	-	22,442	5,485	58,971	-	64,456	86,898	88,380
Depreciation	16,779	39,150	-	55,929	-	-	-	-	55,929	59,512
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	124,161
	<u>\$ 1,098,934</u>	<u>\$ 291,957</u>	<u>\$ 18,052</u>	<u>\$ 1,408,943</u>	<u>\$ 295,844</u>	<u>\$ 249,794</u>	<u>\$ 127,738</u>	<u>\$ 673,376</u>	<u>\$ 2,082,319</u>	<u>\$ 2,230,155</u>

The accompanying notes to financial statements  
are an integral part of this schedule.

**INDEPENDENT AUDITORS' 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**

To the Board of Trustees,  
University of West 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 WUWF-FM (the "Station"), a public telecommunications entity operated by the University of West Florida, which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WUWF-FM'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 WUWF-FM's internal control. Accordingly, we do not express an opinion on the effectiveness of WUWF-FM'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 Station's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

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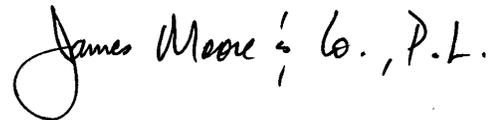
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Telephone: 850-386-6184

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WUWF-FM'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 the Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Tallahassee, Florida  
December 20, 2019

**UWF Board of Trustees Meeting**  
**Audit & Compliance Committee**  
 February 13, 2020

**Issue:** External Audit of Financial Statement of Direct Support Organization - Business Enterprises, Inc.

**Proposed action:** Acceptance

**Background information:**

Pursuant to Florida Statute 1004.28(5)<sup>1</sup> and BOG Regulation BOG-9.011(5)<sup>2</sup>, organizations affiliated with or through the University of West Florida (aka Direct Support Organizations) must be audited annually and presented to the University of West Florida Board of Trustees. As required in the Bylaws of UWF Business Enterprises, Inc. (BEI), the financial statements of BEI have been audited by independent certified public accountants for the fiscal year ending June 30, 2019.

*Article 9.2 of the Bylaws states: "After the close of each fiscal year, the Corporation shall cause a financial audit of its accounts and records to be conducted by an Independent certified public accountant if required by Section 1004.28, Florida Statutes, as amended or supplemented, or other applicable provisions of law, and in accordance with any applicable rules promulgated by the Auditor General of the State of Florida pursuant to Section 11.45, Florida Statutes, as amended or supplemented, or other applicable provisions of law. The Corporation shall provide any copies of its audit reports, together with its federal Application for Recognition of Exception (form 1023) and its Form 990, Return of Organization Exempt from Federal Income Tax, to such persons as may be required by applicable laws of the State of Florida."*

Master Management Agreement dated December 9, 2011 between the University of West Florida and UWF Business Enterprises, Inc. (BEI) Section 5 of the agreement states: *"Financial and Other Reports. The Corporation shall provide the University such reports and audits as are required by the Act or which the University shall request from the Corporation."*

**Results:** BEI received a clean unqualified opinion. The audit was performed in accordance with auditing standards generally accepted in the United States and in accordance with Government Auditing Standards. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were reported.

<sup>1</sup> 1004.28(5)(a) "Each direct support organization shall provide for an annual financial audit of its accounts and records to be conducted by an independent certified public accountant in accordance with the rules adopted by the Auditor General pursuant to s. 11.45(8) and by the university board of trustees. The annual audit report shall be submitted, within 9 months after the end of the fiscal year to the Auditor General and Board of Governors for review."

<sup>2</sup> 9.011(5) "Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review."

**Significant Financial Highlights:**

- Dining Services commissionable sales were consistent with the prior year, but the higher commission rate yielded a higher commission for fiscal year 2019.
- BEI received \$2.335 million in capital retail and dining improvements from the new dining services vendor and donated these to the University.
- The signing incentives paid to BEI from the dining services vendor and the bookstore services vendor and all other capital investments made under the new dining services agreement are recorded as unearned income and amortized to revenue over the remaining life of the respective agreements. Unearned service and management arrangement income as of June 30, 2019 was approximately \$8.9 million.

**Recommendation:** Acceptance

**Implementation Plan:** None

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees of organizations affiliated with or through the University of West Florida

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**Supporting documents:**

Audited Financial Statements for UWF Business Enterprises, Inc. for fiscal year ending June 30, 2019

**Prepared by:** Elizabeth Mrachek, Internal Auditor, 850-474-2636, emrachek@uwf.edu

**Presented by:** Cindy Talbert, Interim Internal Audit Director, 850-474-2638, ctalbert@uwf.edu



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

We have audited 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 and for the year ended June 30, 2019, and have issued our report thereon dated September 23, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by UWF Business Enterprises, Inc. are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2019.

We noted no transactions entered into by BEI during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation is based on the estimated useful lives of the buildings, leasehold improvements, equipment, and furniture. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

##### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures of the Master Management Agreement in Note 5 and various Assigned Functions under that Master Management Agreement in Notes 6 to 8.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Corrected misstatements***

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated September 23, 2019.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as BEI's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Other information in documents containing audited financial statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the Schedules I to IX (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated September 23, 2019.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

\* \* \*

This communication is intended solely for the information and use of the board of directors and management of UWF Business Enterprises, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Orlando, Florida  
September 23, 2019

**UWF BUSINESS ENTERPRISES, INC.**

**(A COMPONENT UNIT OF THE  
UNIVERSITY OF WEST FLORIDA)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2019 AND 2018**



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CONSULTING

**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 UWF Business Enterprises, Inc. (BEI), (a component unit of the University of West Florida), as of and for the years ended June 30, 2019 and 2018, 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BEI as of June 30, 2019 and 2018, 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 11 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 IX 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 September 23, 2019, 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 solely 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 the effectiveness of BEI's 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*

**CliftonLarsonAllen LLP**

Orlando, Florida  
September 23, 2019

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019, 2018, AND 2017**

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, 2019, 2018, and 2017. 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 12 through 26.

### **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 Florida Statute Section 1004.28 and University Regulation 5.016. BEI was 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.

The University appointed Dr. James Barnett to serve as interim CEO of BEI from December 6, 2012 through August 31, 2015. On September 1, 2015, Dr. Steven D. Cunningham, Vice President for Finance and Administration became the CEO of BEI. Upon Dr. Cunningham's resignation on September 1, 2018, Dr. Edward Ranelli, Dean Emeritus and Professor of the UWF College of Business, was appointed to serve as CEO. Previously, Dr. Ranelli was appointed as the President's Designee to the BEI Board of Directors and then elected to serve as BEI Board Treasurer, effective May 8, 2017.

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

The basic financial statements presented herein include all activities of BEI, as prescribed by statements of the Government Accounting Standards Board ("GASB"). BEI is a component unit of the University, from inception on October 18, 2011 through period end, June 30, 2019.

The statement of net position presents information on all 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**  
**JUNE 30, 2019, 2018, AND 2017**

**Overview of the Financial Statements (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 statements 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 01, 2017 through June 30, 2018 and July 01, 2018 through June 30, 2019. 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 IX provide supplementary information of expenses by BEI activity 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 STATEMENTS OF NET POSITION**

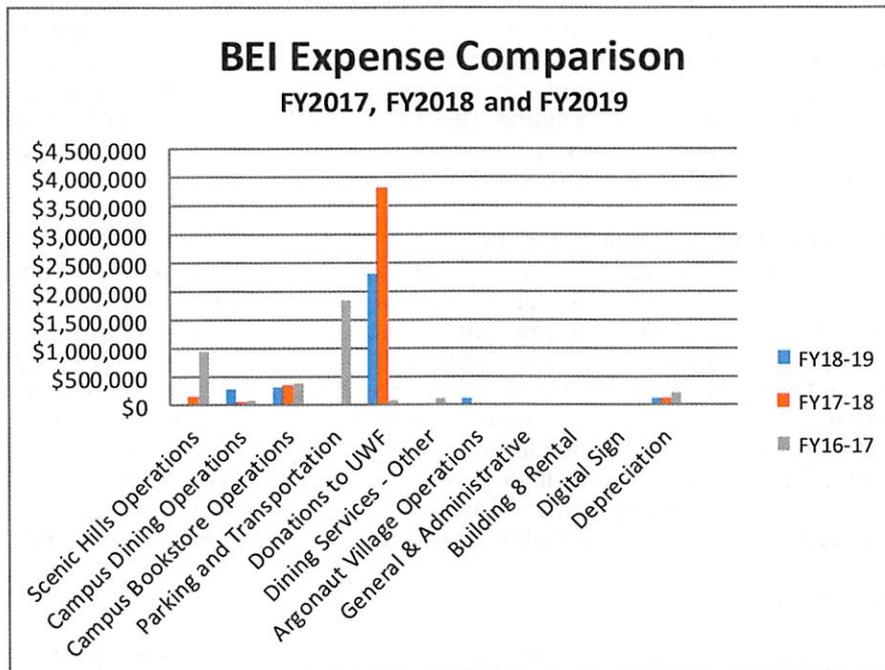
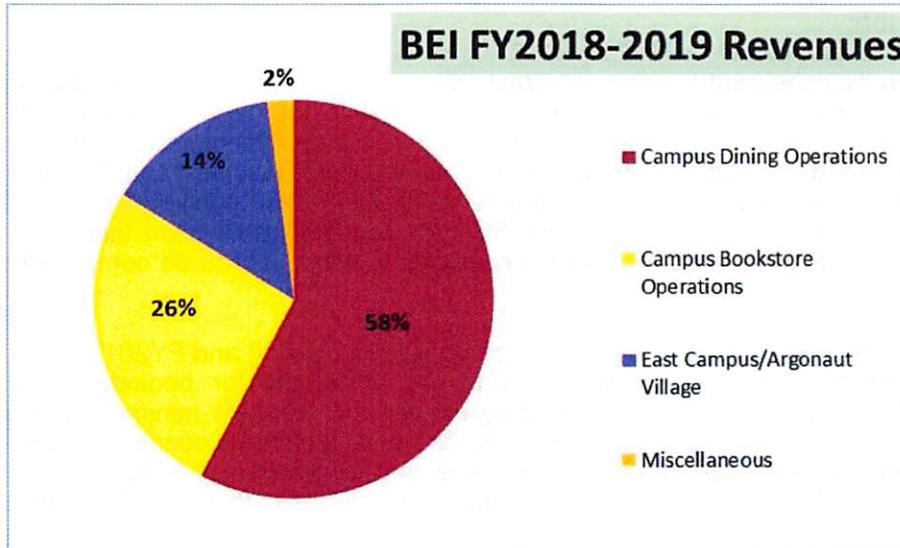
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Total Assets, Excluding Capital Assets	\$ 715,965	\$ 887,603	\$ 2,967,024
Capital Assets, Net	<u>3,995,024</u>	<u>3,778,700</u>	<u>6,469,647</u>
<b>Total Assets</b>	<u><u>\$ 4,710,989</u></u>	<u><u>\$ 4,666,303</u></u>	<u><u>\$ 9,436,671</u></u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 758,828	\$ 553,754	\$ 586,484
Long-Term Liabilities	<u>8,215,986</u>	<u>6,650,555</u>	<u>6,833,579</u>
<b>Total Liabilities</b>	8,974,814	7,204,309	7,420,063
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,995,024	3,778,700	2,033,129
Unrestricted Deficit	<u>(8,258,849)</u>	<u>(6,316,706)</u>	<u>(16,521)</u>
<b>Total Net Position</b>	<u>(4,263,825)</u>	<u>(2,538,006)</u>	<u>2,016,608</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 4,710,989</u></u>	<u><u>\$ 4,666,303</u></u>	<u><u>\$ 9,436,671</u></u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019, 2018, AND 2017**

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

	2019	2018	2017
<b>REVENUES</b>			
Golf Course Sales	\$ -	\$ 82,446	\$ 723,473
Food Service Commissions	304,230	66,279	119,288
Bookstore Commissions	323,991	350,121	388,563
Revenues from Service and Management			
Arrangement Income	607,651	442,544	425,719
Parking and Transportation	-	-	2,393,448
Building Eight Rent	20,925	20,718	20,513
Argonaut Village Rent	208,013	128,060	93,053
Digital Sign	1,352	3,993	6,324
Contributions In-Kind	3,245	4,407	4,077
Miscellaneous	6,185	6,025	6,056
Total Revenues	1,475,592	1,104,593	4,180,514
<b>EXPENSES</b>			
Golf Course Operations	-	158,377	926,703
Golf Course Pro Shop Cost of Sales	-	1,435	16,788
Food Service Management	285,000	47,908	97,244
Food Service - Other	-	-	110,316
Bookstore Management	319,298	350,121	388,563
Parking and Transportation Service (Inclusive of Bad Debt)	-	-	1,866,746
General and Administrative	26,294	36,190	34,428
Donations to the University of West Florida	2,335,051	3,813,079	84,637
Building Eight	9,549	10,168	8,581
Argonaut Village	107,484	22,183	-
Digital Sign	2,177	2,145	2,356
Depreciation	116,558	129,978	229,730
Total Expenses	3,201,411	4,571,584	3,766,092
<b>NONOPERATING EXPENSES</b>	-	(1,087,623)	(53,072)
<b>CHANGE IN NET POSITION</b>	(1,725,819)	(4,554,614)	361,350
Net Position - July 1	(2,538,006)	2,016,608	1,655,258
<b>NET POSITION - JUNE 30</b>	\$ (4,263,825)	\$ (2,538,006)	\$ 2,016,608

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019, 2018, AND 2017**



**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019, 2018, AND 2017**

**Financial Highlights**

BEI entered into a management services contract with a new dining services vendor effective May 6, 2018 at a higher commission rate than the prior contract. While commissionable sales were consistent with the prior year, the higher commission rate yielded a larger commission for fiscal year 2019. Commissions exceeded the agreed upon amount due to UWF Business and Auxiliary Services for support and reserves. During fiscal year ending June 30, 2019, BEI received \$2.335 million in capital retail and residential dining improvements from the new vendor and donated these to the University. The balance of the \$3.575 million capital investment plan is scheduled to be completed by the vendor during fiscal year 2020.

Bookstore sales continued to decline in FY2019, compared to FY2018 and FY2017, which resulted in a commensurate reduction in the amounts paid to the University for bookstore auxiliary support management. However, commissions did slightly exceed the vendor's minimum guarantee and the required management support. The sales decline is not a significant concern to BEI management because this reduction is generally due to the increased availability of lower cost course material options to students. These lower cost options are beneficial to both UWF students and University metrics.

In the first year of management of the Argonaut Village facility, BEI earned rental income directly from tenant leases. The facility is fully leased with the execution of the Building 1 lease on February 1, 2019. Estimated build-out costs of about \$313 thousand as of June 30, 2019 are the responsibility of BEI and are in progress. The tenant is concurrently making lease improvements of about \$300 thousand. Completion and occupancy of Building 1 are anticipated in September 2019. In fiscal year 2019, a current tenant at Argonaut Village expanded into an adjacent unit and made capital improvements of \$59,000. Per the lease agreement for this space, BEI reimbursed the tenant \$18,795 of the cost. The gross revenues from the Starbucks located at the Argonaut Village facility continue to be factored into the commissions BEI receives from the dining services vendor.

BEI earned rental income from the Building 8 three-year lease agreement renewed effective July 1, 2016. This lease was again renewed on April 18, 2019, with significantly improved terms for BEI beginning July 1, 2019. BEI earned a small amount of income in FY2019 from the digital signs contract, however this became bad debt by year end. This contract was allowed to expire January 31, 2019. The Florida Department of Transportation notified BEI that a permit and license are required for paid advertising on the Digital Monument sign located at the East Campus, which was under the digital signs contract. Since February, only free advertising promoting the University and Argonaut Village tenants has been displayed. With the expiration of the digital signs contract, the sign is administered and monitored by UWF personnel. In the final year of the contract with Cox Communications, BEI earned a small amount of marketing revenue. This contract will be allowed to expire after the initial term in August 2019 due to the management effort in relation to the low revenue threshold.

**Scenic Hills Country Club**

SHCC was purchased by BEI in June 2012, 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 June 30, 2015, to 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 under the Main Campus Dining Agreement with the former dining services vendor.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019, 2018, AND 2017**

**Scenic Hills Country Club (Continued)**

In May 2017, BEI received a formal offer to purchase SHCC for \$1.0 million. The sale agreement between BEI and the buyer was fully executed in July 2017, and the sale of SHCC was completed on August 31, 2017. The proceeds from the sale were enough to repay the balance of the bank loan. BEI recorded a loss from the sale of approximately \$1 million.

**Campus Dining and Bookstore**

BEI receives commissions based on gross sales from both the dining services and bookstore services vendors for campus operations. From these funds, BEI provides agreed upon, budgeted payments to the University for direct auxiliary support management and reserves.

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 Statement of Revenues, Expenses, and Changes in Net Position reported a donation from BEI to the University of \$2.335 million and \$84,637 for the years ended June 30, 2019 and 2017, respectively.

In the spring of 2017, BEI requested formal proposals from dining services providers for operation of the University's resident dining facility, operation of the campus retail dining establishments including new competitive franchises, catering services, concession services for UWF Intercollegiate Athletics and other events, and operation of the Starbucks located at the East Campus/Argonaut Village facility. During early summer 2017, the financial proposals were reviewed, leading to concurrence to proceed with the initial steps for the transition to a new dining services provider.

The Main Campus Dining Agreement between BEI and the prior dining services vendor, originally executed in July 2013, was terminated on May 5, 2018. Upon notice of termination in November 2017, the Main Campus Dining Agreement was assigned to the University and all commissions earned under the remaining term of the agreement became University revenue. The unamortized balance of the signing incentive received and all capital improvements made under the agreement, as well as the balance of unearned commission advanced in FY12-13 (as of the contract termination date) became due and payable to the dining services vendor. Of the \$1 million advance commission paid to BEI in June 2012, \$352,707 remained unearned as of June 30, 2017. The unearned balance of \$334,337 was repaid to the former dining services vendor upon termination of the Main Campus Dining Agreement.

BEI entered into a Management Services Contract with a new dining services vendor effective May 6, 2018. The initial term of the agreement is ten (10) years, with an option to extend for an additional five (5) years upon agreement of both parties. After the execution of the contract, BEI received \$6.1 million from the dining services vendor to repay the unamortized balance of the capital investments and the balance of unearned advanced commission that BEI owed to the former dining services vendor. BEI also received \$900,000 as an unrestricted grant under the Management Services Contract to be used in furthering BEI's mission. The new dining services vendor also made a financial commitment to BEI in the agreement to invest \$3.575 million for dining facility renovations. The \$6.1 million contract buy-out funds, the \$900,000 unrestricted grant, and all other capital investments made under the agreement are recorded as unearned income and amortized to revenue on a straight-line basis for the number of months remaining until May 2033. Upon expiration or termination of the Management Services Contract by either party prior to complete amortization of the capital investments disbursed, BEI must reimburse the dining services vendor for the unamortized balances within 120 days

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019, 2018, AND 2017**

**Campus Dining and Bookstore (Continued)**

In FY2017, BEI and the bookstore services vendor entered into Amendment Number Three to the Bookstore Operating Agreement with an effective date of November 15, 2016. Amendment Number Three provides the following terms: extends the contract for an additional two (2) year period through September 30, 2024; confirms that the remaining unamortized balance of the initial contribution made in October 2012 will continue to be amortized through September 30, 2022; increases the commission rate for the period from July 1, 2022 through the end of the contract term; and provides for an investment of \$300,000 to be allocated to the build-out of the Argonaut Village Argo Fan Shop and renovations to the main campus bookstore. As of June 30, 2019, approximately \$295,000 was invested by the bookstore services vendor in the Argonaut Village Argo Fan Shop.

The University bookstore vendor actively and continuously seeks avenues to improve services to the campus community and to offer savings to students. Programs that offer savings to students include the text rental program. Students can rent new, used, and digital textbooks at a purchase price below that of purchased materials. Loose leaf textbooks packaged with an access code is another way students can save, as the print bound package with an access code can sometimes cost as much as 100 dollars more than the loose-leaf package. The bookstore also offers access codes without a print component at a better cost to the student versus the package. The access code includes a digital copy of the required text so students still have access to their required text material. Open Education Resources (OER) is another cost saving program. Faculty can adopt free and openly licensed educational materials that can be used for teaching, learning, research, and other purposes. The material can be printed for those students that prefer a print copy but still at a cost less than the regular purchase of course materials.

The Shop by Author program implemented last year which streamlines the way students shop for course materials was continued this year. The bookstore services vendor participates in Grad Fairs to assist student in graduation preparation. The bookstore continues to support Textbook Affordability legislation with Follett's Suite of Discover product to assist faculty in the book adoption process and to assist students in their acquisition of course materials. The bookstore exceeded the 95 percent compliance threshold for textbook and instructional materials being posed 45 days prior to the first day of classes during the 2017/18 and 2018/19 academic years.

The bookstore services vendor began operations in the new Argo Fan Shop, located at the Argonaut Village facility in FY17-18. The Argo Fan Shop sells only UWF branded gifts, clothing, and accessories. The bookstore will continue its partnership with UWF Intercollegiate Athletics and will again be the official provider of UWF emblematic merchandise at the 2019 home football games held at the Blue Wahoo's stadium.

**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 contracted with the University for the Management of daily operations. BEI was responsible for the long-term planning, capital investment, and construction of new parking and transportation facilities.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019, 2018, AND 2017**

**Parking and Transportation (Continued)**

Following an evaluation of BEI finances, there appeared to be no clear basis to maintain Parking and Transportation Services (PATS) as an Assigned Function with BEI. PATS revenues are restricted funds that cannot be utilized to support other BEI functions and the assignment of PATS to BEI created a burden of accounting and record keeping procedures between BEI and the University that would not otherwise be necessary. BEI's request for the termination of PATS as an Assigned Function was approved by the University President on April 3, 2017, with the effective date of the termination established as July 1, 2017.

The 85-space parking lot added at the East Campus/Argonaut Village facility in early FY15-16, along with all other PATS related assets held by BEI, were donated to the University in accordance with the terms of the reassignment. BEI recorded a donation of approximately \$3.8 million to the University in FY17-18 from the reassignment of PATS.

**Argonaut Village**

As part of the capital improvements under the Main Campus Dining Agreement, the former dining services vendor invested \$3.85 million to develop and construct over 13,100 gross square feet of mixed-use buildings at the east entrance of the campus. In June 2015, a Development Agreement and a Lease Agreement were executed between BEI and the prior dining services vendor in connection with the East Campus construction project. The Development Agreement outlined the scope of work to be performed and the Lease Agreement identified BEI as the landlord and the dining services vendor as the tenant. The term of the lease agreement coincided with the term of the Main Campus Dining Agreement. Under the Lease Agreement, BEI received a \$100,000 lease payment in July of each year. The lease agreement was terminated, effective May 5, 2018, to coincide with the termination of the Main Campus Dining Agreement. On May 6, 2018, management of the Argonaut Village facility became the responsibility of BEI and BEI entered into lease agreements with all of the current tenants. BEI earned rental income from the Argonaut Village facility in FY2017 and FY2018 under the Lease Agreement with the former dining services vendor. In FY 2019, BEI earned rental income directly from tenant leases. Construction of the building shell level of the Argonaut Village facility was completed in 2015 and build-outs for all units in Building 2 have been completed. The Building 1 build-out is currently in progress with completion and occupancy anticipated for September 2019.

**Other Items**

BEI has continued to focus strategically on the East Campus/Argonaut Village development and management. There have been changes to the Designated Support Organization (DSO) Florida Statute Section 1004.28 in the current year. Under the new legislative guidelines BEI will continue to evaluate its purpose to advance the mission of the University. Currently, there are no new projects planned.

**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 20E  
Pensacola, FL 32514

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 618,037	\$ 833,494
Accounts Receivable, Net	41,648	24,589
Prepaid Expenses and Other Assets	56,280	29,520
Total Current Assets	715,965	887,603
<b>CAPITAL ASSETS</b>		
	3,995,024	3,778,700
Total Assets	\$ 4,710,989	\$ 4,666,303
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 6,223	\$ 6,184
Accrued Liabilities	6,726	3,469
Due to the University of West Florida, Net	57,243	17,434
Unearned Service and Management Arrangement Income - Current Portion	688,636	526,667
Total Current Liabilities	758,828	553,754
<b>LONG-TERM LIABILITIES</b>		
Unearned Service and Management Arrangement Income - Less Current Portion	8,215,986	6,650,555
Total Long-Term Liabilities	8,215,986	6,650,555
Total Liabilities	8,974,814	7,204,309
<b>NET POSITION</b>		
Net Investment in Capital Assets	3,995,024	3,778,700
Unrestricted Deficit	(8,258,849)	(6,316,706)
Total Net Position	(4,263,825)	(2,538,006)
Total Liabilities and Net Position	\$ 4,710,989	\$ 4,666,303

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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Golf Course Sales	\$ -	\$ 82,446
Food Service Commissions	304,230	66,279
Bookstore Commissions	323,991	350,121
Revenues from Service and Management Arrangements	607,651	442,544
Building Eight Rent	20,925	20,718
Argonaut Village Rent	208,013	128,060
Digital Sign	1,352	3,993
Contributions and In-Kind	3,245	4,407
Miscellaneous Income	6,185	6,025
<b>Total Revenues</b>	<u>1,475,592</u>	<u>1,104,593</u>
<b>EXPENSES</b>		
Golf Course Operations	-	158,377
Golf Course Pro Shop Cost of Sales	-	1,435
Food Service Management	285,000	47,908
Bookstore Management	319,298	350,121
General and Administrative	26,294	36,190
Donations to the University of West Florida	2,335,051	3,813,079
Building Eight	9,549	10,168
Argonaut Village Expense	107,484	22,183
Digital Sign	2,177	2,145
Depreciation	116,558	129,978
<b>Total Expenses</b>	<u>3,201,411</u>	<u>4,571,584</u>
<b>NET OPERATING LOSS</b>	(1,725,819)	(3,466,991)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Write Off	-	(507)
Loss on Disposal of Capital Assets	-	(1,079,455)
Interest Expense	-	(7,661)
<b>Total Nonoperating Revenues (Expenses), Net</b>	<u>-</u>	<u>(1,087,623)</u>
<b>CHANGE IN NET POSITION</b>	(1,725,819)	(4,554,614)
Net Position - Beginning of Year	<u>(2,538,006)</u>	<u>2,016,608</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ (4,263,825)</u>	<u>\$ (2,538,006)</u>

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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Others	\$ 1,431,773	\$ 9,939,786
Cash Paid to Leased Employees for Services	-	(64,886)
Cash Paid to Suppliers and Others	<u>(1,314,348)</u>	<u>(9,372,863)</u>
Net Cash Provided by Operating Activities	117,425	502,037
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Capital Debt	-	(917,681)
Interest Paid on Capital Debt	-	(7,661)
Repayments of Obligations Under Capital Leases	-	(4,444)
Write Off	-	(507)
Purchase of Capital Assets	(332,882)	-
Proceeds from Sale of Capital Assets	-	941,514
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(332,882)</u>	<u>11,221</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(215,457)	513,258
Cash and Cash Equivalents - Beginning of Year	<u>833,494</u>	<u>320,236</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 618,037</u>	<u>\$ 833,494</u>
<b>RECONCILIATION OF CHANGE IN NET OPERATING INCOME PROVIDED BY OPERATIONS</b>		
Net Operating Loss	\$ (1,725,819)	\$ (3,466,991)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	116,558	129,978
Donation of Non-Cash Assets	-	540,000
Changes in:		
Accounts Receivable	(17,059)	209,652
Due to/from the University of West Florida	39,809	2,415,224
Inventory	-	5,568
Prepaid Expenses	(26,760)	(20,331)
Accounts Payable	39	(37,763)
Accrued Liabilities	3,257	(44,073)
Unearned Commission Income	-	(352,707)
Unearned Service and Management Arrangement Income	1,727,400	1,123,480
Net Cash Provided by Operating Activities	<u>\$ 117,425</u>	<u>\$ 502,037</u>

See accompanying Notes to Financial Statements.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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 that is used to support the University's educational activities. BEI has also entered into contracts that will provide dining, bookstore, retail services, and any other assigned functions to University students and personnel.

As discussed in the subsequent notes to the financial statements, BEI incurred significant losses related to the Sale of Scenic Hills Country Club (Note 13) and the donation of the related parking and transportation assets (Note 8) during the year ended June 30, 2018. During the year ended June 30, 2019, BEI donated \$2,335,051 in capital improvements related to dining and retail facilities to the University (Note 6). Those events have caused net position to decrease from \$(2,538,006) as of June 30, 2018, to \$(4,263,825) as of June 30, 2019. BEI management notes that the unearned service and management income of \$8,904,622 that will be recognized over the next 15 years coupled with rental income from Argonaut Village would satisfy that deficit. BEI management notes that in the past several years Scenic Hills Country Club had been incurring losses on operations due to attendance and the overall industry decline, thus management believes that selling the property was in the best interest of BEI. BEI management plans to continue its underlying purpose to support the University of West Florida and has no plans to cease operations within 1 year of the issuance of these audited financial statements.

**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 accounting principles generally accepted in the United States of America 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.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Basis of Presentation and Accounting (Continued)**

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.

**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 uncollateralized combined bank balance comprised of demand deposits is subject to custodial credit risk as it exceeds the Federal Depository Insurance (FDI) limits by \$368,037 and \$634,293, for the years ended June 30, 2019, and June 30, 2018, respectively. BEI has not experienced any losses in these accounts. All deposits are held at a Qualified Public Depository in compliance with Florida Statute.

**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:

	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ -	\$ 112,914
Current Year Provision	1,352	-
Write Offs of Accounts	(1,352)	-
Reduction due to sale of Scenic Hills CC (See Note 13)	-	(1,253)
Reduction due to Donation (See Note 8)	-	(111,661)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Due to/from the University of West Florida, Net**

Due to/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) and commissions owed to the University by BEI related to assigned functions.

**Capital Assets**

Capital assets consist of land, buildings and improvements, equipment, furniture and fixtures, and construction in progress. Assets are capitalized and recorded at cost at the date of acquisition or at estimated acquisition 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:

Buildings	40 Years
Maintenance Equipment	7 – 10 Years
Furniture and Fixtures	7 Years
Office Equipment	5 Years
Software	5 Years

**Unearned Service and Management Arrangement Income**

Prior to May 2018, 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 was 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 was amortized on a straight line basis through June 2023. Capital improvements made and to be made by the vendor under the contract were recorded as unearned income and were amortized on a straight line basis from October 2012, or date of completion in the case of capital improvements, through June 2035. As discussed in Note 6, this contract was terminated in May 2018.

In May 2018, BEI received \$6.1 million in buyout funds from a dining services vendor in connection with a new dining services contract. In addition, BEI received a \$900,000 grant from the vendor for operations. The funds received under the contract are recorded as unearned income and are amortized on a straight-line basis from May 2018 through May 2033. As part of this contract, the vendor will provide up to \$3.575 million in dining and retail capital improvements. In fiscal year 2019, \$2.335 of improvements were completed and recorded as unearned income, amortized on a straight-line basis from January 2019 through May 2033.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Unearned Service and Management Arrangement Income (continued)**

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.

**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, 2019 and 2018. 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 accounting principles generally accepted in the United States of America.

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing services in connection with Dining Services, Bookstore Services, and Argonaut Village. Operating revenues are from commissions, service and management arrangements, contributions in kind and rental operations. Operating expenses are primarily from food and bookstore management, management of rental facilities, 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.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 CAPITAL ASSETS**

Capital assets consisted of the following at June 30, 2019:

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 94,265	\$ -	\$ -	\$ -	\$ 94,265
Buildings	3,896,399	-	-	-	3,896,399
Building Improvements	-	18,794	-	-	18,794
Furniture and Fixtures	127,464	-	-	-	127,464
Construction in Progress	-	314,088	-	-	314,088
	4,118,128	332,882	-	-	4,451,010
Less: Accumulated Depreciation	(339,428)	(116,558)	-	-	(455,986)
Total	<u>\$ 3,778,700</u>	<u>\$ 216,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,995,024</u>

Capital assets consisted of the following at June 30, 2018:

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 393,162	\$ -	\$ (298,897)	\$ -	\$ 94,265
Parking Lot	600,000	-	(600,000)	-	-
Buildings	5,454,534	-	(1,558,135)	-	3,896,399
Golf Course Improvements	374,559	-	(374,559)	-	-
Maintenance Equipment	23,014	-	(23,014)	-	-
Furniture and Fixtures	263,980	-	(136,516)	-	127,464
Office Equipment	6,606	-	(6,606)	-	-
Exterior Sign	11,392	-	(11,392)	-	-
Software, under Capital Lease	20,753	-	(20,753)	-	-
	7,148,000	-	(3,029,872)	-	4,118,128
Less: Accumulated Depreciation	(678,353)	(129,978)	468,903	-	(339,428)
Total	<u>\$ 6,469,647</u>	<u>\$ (129,978)</u>	<u>\$ (2,560,969)</u>	<u>\$ -</u>	<u>\$ 3,778,700</u>

Depreciation expense amounted to \$116,558 and \$129,978 for the years ended June 30, 2019 and 2018, respectively, and includes amortization expense of \$-0- and \$692 for the years ended June 30, 2019 and 2018, respectively, for the above equipment under capital lease.

During the years ended June 30, 2019 and 2018, BEI donated Capital Investments in the amount of \$- and \$540,000, respectively, to the University of West Florida.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 3 LONG-TERM LIABILITIES**

Changes in long-term liabilities were as follows at June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Unearned Service and Management Arrangement Income	\$ 7,177,222	\$ 2,335,051	\$ (607,651)	\$ 8,904,622	\$ 688,636
Total	<u>\$ 7,177,222</u>	<u>\$ 2,335,051</u>	<u>\$ (607,651)</u>	<u>\$ 8,904,622</u>	<u>\$ 688,636</u>

Changes in long-term liabilities were as follows at June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note Payable	\$ 917,681	\$ -	\$ (917,681)	\$ -	\$ -
Capital Lease Obligation	4,444	-	(4,444)	-	-
Unearned Commission Income	352,707	-	(352,707)	-	-
Unearned Service and Management Arrangement Income	6,053,742	7,000,000	(5,876,520)	7,177,222	526,667
Total	<u>\$ 7,328,574</u>	<u>\$ 7,000,000</u>	<u>\$ (7,151,352)</u>	<u>\$ 7,177,222</u>	<u>\$ 526,667</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. This note was paid in full during the year ended June, 30, 2018, as part of the Scenic Hills Country Club sale (see Note 13).

BEI was party to a capital lease agreement for software, which expired in 2018. This software and the related capital lease was sold in 2018 as part of the Scenic Hills Country Club sale.

**NOTE 4 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME**

As subsequently discussed in Note 6, BEI terminated its former dining services agreement and entered into a new contract during May 2018. Within the former agreement, BEI received \$1.1 million as a signing incentive during fiscal year 2012. 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, and 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. During fiscal year 2017, an additional \$225,081 was invested by the vendor related to various food service projects.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME (CONTINUED)**

Under the new dining services agreement executed in May 2018, BEI received \$6.1 million in buyout funds to repay the former dining services vendor as well as a \$900,000 grant. The contract allows for up to \$3.575 million in capital improvements to dining and retail facilities. The investment, grant funds and capital improvements received under the contract are recorded as unearned income and are amortized on a straight-line basis from May 2018 through May 2033.

As subsequently discussed in Note 7, 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 as of June 30:

	<u>2019</u>	<u>2018</u>
Unamortized Unearned Income from Dining Services Agreement - Note 6	\$ 8,709,622	\$ 6,922,222
Unamortized Unearned Income from Bookstore Services Agreement - Note 7	<u>195,000</u>	<u>255,000</u>
Total Unearned Income from Service and Management Arrangements	<u>\$ 8,904,622</u>	<u>\$ 7,177,222</u>

**NOTE 5 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.

**NOTE 6 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 to provide all retail and catering food services on the University's main campus, and concession services at athletic, recreational, and special events at the University's main campus. The June 2012 agreement was terminated May 2018 and subsequent to that, BEI entered into a new agreement with a new provider in May 2018.

The previous contract with the food service provider was effective July 1, 2013, and extended through June 30, 2035, but was terminated in May 2018.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 6 ASSIGNMENT OF DINING SERVICES (CONTINUED)**

On May 6, 2018, BEI entered into a management services contract with a new dining services vendor. The agreement terms are through June 30, 2028, with an option to extend for an additional five years upon agreement of both parties. Either party may terminate the agreement during the contract period with proper notice. Any guaranteed commissions owed to BEI shall be paid by the dining services vendor within 90 days of the termination date. Upon expiration or termination, the amount of unamortized financial commitment disbursed as of the date of expiration or termination and unrestricted grant shall become due to the vendor within 120 days.

In conjunction with the new contract, BEI received \$6.1 million to buyout and repay the unamortized balances of the old service agreement's capital investments and unearned advanced commissions. The agreement also provided a \$900,000 unrestricted grant to be used in furthering BEI's mission and up to \$3.575 million in dining and retail capital improvements. In January 2019, \$2.335 million in renovations were completed and began being amortized. All capital improvements provided under the contract are donated to the University. The \$6.1 million contract buyout funds, the \$900,000 unrestricted grant, current capital improvements and any future improvements to be made under the agreement are recorded as unearned income when received and amortized to revenue on a straight-line basis through May 2033.

During the years ended June 30, 2019 and 2018, BEI has recognized \$547,651 and \$382,544, respectively in earned revenue from the vendor investments. The following is a roll forward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Unearned Service and Management Arrangement Income - Beginning of Fiscal Year	\$ 6,922,222	\$ 5,738,742
Add: Capital Improvements and New Investments under Service and Management Arrangements	2,335,051	6,100,000
Add: Unrestricted Grant related to Service and Management Arrangements	-	900,000
Less: Reduction due to Termination of Old Agreements	-	(5,433,976)
Less: Amortization of Unearned Income	<u>(547,651)</u>	<u>(382,544)</u>
Unearned Service and Management Arrangement Income - End of Fiscal Year	<u>\$ 8,709,622</u>	<u>\$ 6,922,222</u>

The dining services contract also calls for sales commissions to be paid to BEI, inclusive of applicable sales tax, at a set rate of \$10,000 for the year ended June 30, 2018, 6% of Net Sales, per year, during the subsequent five years through June 30, 2023, and 8% of Net Sales, per year, for remainder of the contract. BEI is guaranteed a minimum commission each year as stipulated in the contract; however, that minimum guarantee is contingent on the sales goals established by the University.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 7 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.

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 store upgrades throughout various campus locations. The vendor has spent approximately \$292,421 as of the fiscal year ended June 30, 2019, related to these upgrades.

All equipment, fixtures and furniture included as store upgrades from the capital investments of the bookstore operations vendor or from future capital investments 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, 2019 and 2018, 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.

During each of the years ended June 30, 2019 and 2018, BEI has recognized \$60,000 in bookstore contract revenue. The following is a roll forward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Unearned Service and Management Arrangement Income - Beginning of Fiscal Year	\$ 255,000	\$ 315,000
Less: Amortization of Unearned Income	<u>(60,000)</u>	<u>(60,000)</u>
Unearned Service and Management Arrangement Income - End of Fiscal Year	<u>\$ 195,000</u>	<u>\$ 255,000</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 7 ASSIGNMENT OF BOOKSTORE OPERATIONS (CONTINUED)**

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 years ended June 30, 2019 and 2018, total commissions amounted to \$323,991 and \$350,121, respectively. These commissions are presented in the accompanying statements of revenues, expenses, and changes in net position.

**NOTE 8 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.

While an assigned function, 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.

Effective July 1, 2017, the University elected to terminate the PATS assigned function. In connection with this termination, management of the university and BEI elected to donate the related assets of UWF BEI in the amount of \$3,813,079 to the University, effective July 1, 2017.

The donation to the University during the year ended June 30, 2018 is composed of:

	2018
Reduction of Related Cash Receivable Held in Agency on the Books and Records of the University	\$ 3,185,829
Accounts Receivable, Net of Related Allowance	70,857
Argonaut Village Parking Lot, Net of Depreciation	540,000
Other Amounts Payable to the University	<u>16,393</u>
Total Donation to the University	<u><u>\$ 3,813,079</u></u>

**NOTE 9 OPERATING LEASES PAID TO BEI**

On May 6, 2018, as part of the transition to a new dining services vendor, management of the Argonaut Village facility became the responsibility of BEI. BEI entered into lease agreements with all of the current tenants. During the year ended June 30, 2019, BEI also entered into two lease agreements with the University of West Florida Board of Trustees, a public body corporate, to rent Building Eight and Building One.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 9 OPERATING LEASES PAID TO BEI (CONTINUED)**

At June 30, 2018, approximate future minimum rental payments to be received under the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>University- Affiliated Tenants</u>	<u>Commercial Tenants</u>	<u>Total</u>
2020	\$ 93,968	\$ 148,562	\$ 242,530
2021	95,853	159,064	254,917
2022	97,765	162,712	260,477
2023	69,029	158,930	227,960
2024	69,832	124,535	194,367
2025-2029	-	330,735	330,735
Total	<u>\$ 426,448</u>	<u>\$ 1,084,538</u>	<u>\$ 1,510,985</u>

Total rental income for the years ended June 30, 2019 and 2018 was \$182,545 and \$142,510, respectively.

**NOTE 10 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, 2019 and 2018. BEI is not aware of any liabilities related to these risks as of June 30, 2019.

BEI has established a Low Value Asset Policy to manage and account for certain property items that are portable and susceptible to theft or loss. No low value assets have been identified as missing as of June 30, 2019 and 2018.

**NOTE 11 IN-KIND CONTRIBUTIONS**

Rent for space utilized by BEI and owned by the University was recorded for \$3,245 and \$4,399, respectively, for the years ended June 30, 2019 and 2018.

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.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 12 RELATED PARTIES**

The University provides administrative, managerial and facilities support for BEI. BEI reimbursed the University \$12,544 and \$62,556 for services and costs during the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, BEI disbursed \$285,000 and \$47,908, respectively, to the University for food service management pursuant to the Agreement discussed in Note 6. For the years ended June 30, 2019 and 2018, BEI disbursed \$319,298 and \$350,121, respectively, to the University for bookstore management pursuant to the Agreement discussed in Note 7. At June 30, 2019, \$57,243 was owed to the University for auxiliary service support received during 2019.

**NOTE 13 SALE OF SCENIC HILLS COUNTRY CLUB**

On August 31, 2017, BEI sold its ownership of Scenic Hills Country Club to an outside party for approximately \$1.0 million. Included in the sale transaction was all related Land, Buildings, Land and Building improvements, Equipment, Furniture and Fixtures, Software, Inventory, and Accounts Receivable. The subsequent owner assumed all related liabilities and leases upon ownership transfer. In addition, the remaining mortgage of \$910,786 was paid off. The details of the sale are as follows:

Total Sales Price	\$ 1,000,000
Adjustments for Items Paid by BEI in Advance	
50% of Accounts Receivable Owed to Seller	3,272
Adjustments to Sales Price for Items Unpaid by BEI:	
Mower Lease Assumed by Buyer	(54,821)
County Taxes	(2,257)
Property Tax	(1,662)
Punch Cards	(7,411)
Gift Certificates	(15,260)
Credit Books	(3,108)
Closing Costs	<u>(5,428)</u>
Adjusted Sales Price	913,325
Less Pay-Off of Mortgage	<u>(910,786)</u>
Net Cash Received from Sale	2,539
Sale of Assets & Reduction of Liabilities:	
Property, Plant, and Equipment	(2,020,969)
Accounts Receivable	(7,789)
Inventory	(4,832)
Payables, Gift Cards, Credit Books, and Lease Pay-Off	40,810
Mortgage Pay-Off	<u>910,786</u>
Net Loss on Sale of Scenic Hills Country Club	<u><u>\$ (1,079,455)</u></u>



**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 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, 2019, and the related notes to the financial statements, which collectively comprise BEI's basic financial statements, and have issued our report thereon dated September 23, 2019.

**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 been 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.

Board of Directors  
UWF Business Enterprises, Inc.

**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 23, 2019

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE I – SCENIC HILLS COUNTRY CLUB EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2019</u>	<u>2018</u>
Administrative Expenses	\$ -	\$ 1,388
Bank Service Charges	-	1,701
Carts Expense	-	44,776
Computer	-	1,227
Course Maintenance	-	20,709
Dues and Subscriptions	-	122
Insurance	-	6,226
Marketing Expense	-	400
Office Supplies	-	118
Postage	-	378
Repairs and Maintenance	-	6,779
Staff Leasing	-	64,886
Taxes and Licenses	-	1,102
Utilities	-	8,565
Total	<u>\$ -</u>	<u>\$ 158,377</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE II – FOOD SERVICE MANAGEMENT EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2019</u>	<u>2018</u>
Contractual Services - UWF	<u>\$ 285,000</u>	<u>\$ 47,908</u>
Total	<u>\$ 285,000</u>	<u>\$ 47,908</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, 2019 AND 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019	2018
Dining Services Capital Improvements	\$ 2,335,051	\$ -
Reassignment of Parking Services and Related Assets	-	3,813,079
Total	\$ 2,335,051	\$ 3,813,079

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE IV – GENERAL AND ADMINISTRATIVE EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2019</u>	<u>2018</u>
Administrative Expenses	\$ 2,282	\$ 2,339
Advertising and Promotion	222	653
Computer	-	928
Miscellaneous	1,146	75
Office Supplies	2,514	4,606
Postage	64	205
Professional Fees	19,006	25,676
Taxes and Licenses	123	184
Travel and Entertainment	937	1,407
Utilities	-	117
Total	<u>\$ 26,294</u>	<u>\$ 36,190</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE V – BOOKSTORE MANAGEMENT EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2019</u>	<u>2018</u>
Contractual Services - UWF	<u>\$ 319,298</u>	<u>\$ 350,121</u>
Total	<u>\$ 319,298</u>	<u>\$ 350,121</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VI – BUILDING EIGHT EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2019</u>	<u>2018</u>
Insurance	\$ 2,904	\$ 2,645
Repairs and Maintenance	704	450
Utilities	<u>5,941</u>	<u>7,073</u>
Total	<u>\$ 9,549</u>	<u>\$ 10,168</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VII – ARGONAUT VILLAGE EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2019</u>	<u>2018</u>
Administrative Expenses	\$ 1,560	\$ 200
Insurance	9,764	1,872
Miscellaneous	-	303
Postage	39	8
Professional Fees	-	5,557
Repairs and Maintenance	61,390	10,313
Taxes and Licenses	7,890	1,706
Utilities	26,841	2,224
Total	<u>\$ 107,484</u>	<u>\$ 22,183</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VIII – DIGITAL SIGN EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019	2018
Utilities	\$ 825	\$ 2,145
Bad Debt Expense	1,352	-
Total	\$ 2,177	\$ 2,145

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE IX – DEPRECIATION EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2019</u>	<u>2018</u>
Building Eight	\$ 3,593	\$ 3,593
Scenic Hills Country Club	-	14,359
Argonaut Village	<u>112,965</u>	<u>112,026</u>
Total	<u>\$ 116,558</u>	<u>\$ 129,978</u>

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
February 13, 2020

**Issue:** External Audit of Financial Statements of Direct Support Organization—  
University of West Florida Foundation, Inc.

**Proposed action:** Acceptance

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**Background information:**

Pursuant to Florida Statute 1004.28(5) and BOG Regulation BOG-9.011(5), organizations affiliated with or through the University of West Florida (aka Direct Support Organizations) must be audited annually and presented to the University of West Florida. As required, the financial statements of the UWF Foundation, Inc. have been audited by independent certified public accountants for the fiscal year ending June 30, 2019.

A cursory review was performed by IAMC to evaluate compliance with the Florida Statute and BOG Regulation. It was determined that compliance appears to exist regarding the annual financial audit.

**Results:**

UWF Foundation received a clean unqualified opinion. The audit was performed in accordance with accounting principles generally accepted in the United States and in accordance with *Government Auditing Standards*. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were reported.

**Financial Highlights:**

- Changes made to Florida Statute Section 1004.28 required the Foundation to follow standards of accounting and financial reporting that are generally accepted for governmental entities. In these financial statements, management has restated the prior period in accordance with the Governmental Accounting Standards Board (“GASB”). As such, prior year net income increased by \$784,283 and prior year beginning net position decreased by \$7,536,898.
- The fair value of investments as of June 30, 2019 was \$94,555,093, an increase of \$2,705,480 from the prior year.
- During fiscal year 2019, the net investment in capital assets increased by \$1 million. Contributing to the change, capital assets decreased \$1.6 million (net of depreciation) and bonds payable reduced by \$2.6 million.

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<sup>1</sup> 1004.28(5)(a) “Each direct support organization shall provide for an annual financial audit of its accounts and records to be conducted by an independent certified public accountant in accordance with the rules adopted by the Auditor General pursuant to s. 11.45(8) and by the university board of trustees. The annual audit report shall be submitted, within 9 months after the end of the fiscal year to the Auditor General and Board of Governors for review.”

<sup>1</sup> 9.011(5) “Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review.”

**Recommendation:** Acceptance

**Implementation Plan:** None

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees of organizations affiliated with or through the University of West Florida.

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**Supporting documents:**

- Financial Statement Audit Report for the University of West Florida Foundation, Inc., for fiscal year ending June 30, 2019
- Audit Communication Letter UWF Foundation, Inc. June 30, 2019

**Prepared by:** Internal Auditor Elizabeth Mrachek, emrachek@uwf.edu, 474-2636

**Presenter:** Cindy Talbert, Interim Internal Audit Director, 850-474-2638, ctalbert@uwf.edu

To Management and the Board of Directors  
University of West Florida Foundation, Inc.  
Pensacola, Florida

We have audited the financial statements of the University of West Florida Foundation, Inc. (the “Foundation”) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.650, Rules of Auditor General, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. Due to changes to Section 1004.28, Florida Statutes, the Foundation was required to change accounting principles from standards of accounting and financial reporting prescribed by the Financial Accounting Standards Board (“FASB”) to standards of accounting and financial reporting prescribed by the Governmental Accounting Standards Board (“GASB”). We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Foundation’s financial statements were:

Management’s estimate of the fair value and collectability of promises to give is based on signed pledge cards, historical collection rates and an analysis of the collectability of individual promises. Management’s periodic evaluation of this estimate and the underlying assumptions used are based on the Foundation’s experience, various known and inherent risks, and current economic conditions.

Management's estimate of the fair value of investments is based on various methods, which include unadjusted quoted market prices, observable inputs based on both active and inactive markets, and unobservable inputs that are supported by little market activity. Management's periodic evaluation of this estimate is based on the Foundation's experience, various known and inherent risks, and current economic conditions.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of long-term investments and related net return on investments in Note 2 to the financial statements.
- The disclosure of fair value measurements in Note 2 to the financial statements.
- The disclosure of endowment fund investment and spending policies under Florida UPMIFA in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Appendix A summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 23, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Foundation’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the following supplementary information, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

- a. Schedules of Student Housing System Revenues and Expenses
- b. Schedules of Net Position (Excluding the Student Housing System)
- c. Schedule of Expenditures of State Financial Assistance

We were not engaged to report on the following supplementary information, which accompanies the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

- a. Chairs Under Eminent Scholars Program - Schedule of Receipts, Expenses and Endowment Balances
- b. Major Gifts Program - Schedule of Receipts, Expenses and Endowment Balances
- c. Schedules of Functional Expenses

Restriction on Use

This information is intended solely for the information and use of the Foundation's audit committee, Board of Directors, and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Saltmarsh Cleveland & Lund".

Pensacola, Florida  
September 23, 2019

## APPENDIX A

### University of West Florida Foundation, Inc. Schedule of Uncorrected Misstatements As of and for the Year Ended June 30, 2019

<b>Proposed JE # 301</b>			
To record the current year effect of prior year passed audit adjustment #303.			
29-42400	UNREALIZED GAIN/LOSS	225,250.00	
28-34000	NET ASSETS - TEMP RESTRICTED OTHER		<u>225,250.00</u>
<b>Total</b>		<b><u>225,250.00</u></b>	<b><u>225,250.00</u></b>
<b>Proposed JE # 302</b>			
To true up the market value to the June 30, 2019 investment statements.			
10-14700	STEPSTONE PIONNER CAPITAL III, LP	6,172.00	
10-14720	PORTFOLIO ADV V PRIV EQUITY	45,956.00	
10-14730	PA DIRECT CREDIT OPPORTUNITIES FUND II	14,805.00	
10-14735	PA SECONDARY FUND III (OFFSHORE), L.P.	35,392.00	
10-14750	Golub Capital Partners	5,258.00	
10-14720	PORTFOLIO ADV V PRIV EQUITY		7,424.00
29-42400	UNREALIZED GAIN/LOSS		<u>100,159.00</u>
<b>Total</b>		<b><u>107,583.00</u></b>	<b><u>107,583.00</u></b>
<b>Proposed JE # 303</b>			
To reclass other income out of realized gain.			
26-42300	REALIZED GAIN/LOSS	448,887.00	
26-49900	MISCELLANEOUS OTHER INCOME		<u>448,887.00</u>
<b>Total</b>		<b><u>448,887.00</u></b>	<b><u>448,887.00</u></b>

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**PENSACOLA, FLORIDA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**PENSACOLA, FLORIDA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
University of West Florida Foundation, Inc.  
Pensacola, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West Florida), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Foundation'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.

### Auditor's 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. 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 auditor's 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.

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Board of Directors  
University of West Florida Foundation, Inc.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Foundation as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the Foundation's financial statements were previously reported following standards of the Financial Accounting Standards Board. As a result of changes made to Section 1004.28, Florida Statutes, the Foundation's financial statements now follow standards of the Governmental Accounting Standards Board. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of State Financial Assistance is included in the compliance section, as required by Chapter 10.650, Rules of Auditor General, and for purposes of additional analysis is not a required part of the basic financial statements.

Board of Directors  
University of West Florida Foundation, Inc.

The Schedules of Student Housing System Revenues and Expenses, Net Position (Excluding the Student Housing System), Functional Expenses and Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying Schedules of Receipts, Expenses, and Endowment Balances for the Chairs Under Eminent Scholars Program and the Major Gifts Programs have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019, on our consideration of the Foundation'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 solely 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 the effectiveness of the Foundation's 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 the Foundation's internal control over financial reporting and compliance.



Pensacola, Florida  
September 23, 2019

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018**  
**(UNAUDITED)**

This management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of the University of West Florida Foundation, Inc (the "Foundation") as of and for the years ended June 30, 2019 and 2018.

The Foundation is presented as a discrete component unit of the University of West Florida (the "University" or "UWF"). The Foundation's mission is to exclusively support and enhance the University's mission of teaching, research, and service as determined by the University of West Florida Board of Trustees ("BOT").

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

The financial statements are prepared on the accrual basis of accounting with accounting principles generally accepted in the United States of America, as promulgated by the Government Accounting Standards Board ("GASB").

It is noteworthy that in the current year a transition from Financial Accounting Standards Board ("FASB") standards was made to the GASB standards. This was driven by a change in Florida Statute 1004.28(3) which in part requires the approval of the Foundation's board members by the BOT. See the notes to the financial statements for a summary of the Foundation's significant accounting policies.

Pursuant to GASB Statement No. 35, *Basic Financial Statements - Management's Discussion and Analysis – for Public Colleges and Universities*, the Foundation's basic financial statements include; the statements of net position; the statements of revenue, expenses and changes in net position; the statements of cash flows, and other required supplemental information.

### **The Statement of Net Position**

The statements of net position reflect the assets, liabilities, deferred inflows of resources, and liabilities of the Foundation and presents the financial position of the Foundation at a specified time. Assets less liabilities and deferred inflows equal net position, which is one indicator of the Foundation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Foundation's financial condition. Restricted net position is comprised of expendable and nonexpendable and consists of assets that have constraints placed upon their use either by external donors or creditors or through laws or regulations imposed through constitutional provisions or enabling legislature. Nonexpendable assets represent endowment assets whose principal cannot be spent and are required by the donor to be held in perpetuity. Unrestricted net position consists of net assets that do not meet the definition of restricted or net investment in capital assets.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018**  
**(UNAUDITED)**

**The Statements of Net Position (Continued)**

The following is a summary of the Foundation's statements of net position as of June 30, 2019 and the preceding year.

	2019	Restated 2018	Dollar Change	Percentage Change
<b>Assets:</b>				
Current assets	\$ 8,446,210	\$ 10,617,476	\$ (2,171,266)	-20.4%
Noncurrent assets	157,428,694	156,036,751	1,391,943	0.9%
<b>Total Assets</b>	<b>\$ 165,874,904</b>	<b>\$ 166,654,227</b>	<b>\$ (779,323)</b>	<b>-0.5%</b>
<b>Liabilities:</b>				
Current liabilities	\$ 3,357,778	\$ 3,317,276	\$ 40,502	1.2%
Noncurrent liabilities	44,353,273	46,585,483	(2,232,210)	-4.8%
Total liabilities	47,711,051	49,902,759	(2,191,708)	-4.4%
<b>Deferred Inflows of Resources:</b>				
Split-interest agreements	904,831	1,487,643	(582,812)	-39.2%
<b>Net Position:</b>				
Net investment in capital assets	8,326,211	7,258,692	1,067,519	14.7%
Unrestricted	2,378,339	5,250,229	(2,871,890)	-54.7%
Restricted -				
Expendable	45,873,580	43,367,062	2,506,518	5.8%
Nonexpendable	60,680,892	59,387,842	1,293,050	2.2%
Total net position	117,259,022	115,263,825	1,995,197	1.7%
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 165,874,904</b>	<b>\$ 166,654,227</b>	<b>\$ (779,323)</b>	<b>-0.5%</b>

The Foundation's assets totaled \$165.9 million as of June 30, 2019. Current assets contribute \$8.4 million and consist primarily of funds available to meet current obligations. Noncurrent assets contribute \$157.4 million and consist primarily of investments expected to be held and pledges receivable expected to be collected beyond the next fiscal year. This balance reflects a decrease of \$779,000 compared to June 30, 2018. The total decrease in assets is primarily related to a decrease in current assets available to meet current obligations net of increases in pledges receivable.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018**  
**(UNAUDITED)**

**The Statements of Net Position (Continued)**

The Foundation's liabilities total \$47.7 million as of June 30, 2019. This is composed of \$3.4 million in current liabilities including accounts payable and accrued expenses along with current year debt service amounts. The noncurrent portion of noncurrent liabilities is \$44.4 million which consists of long-term debt and other obligations extending out more than one year. The amount of total liabilities reflects a decrease of \$2.2 million related primarily to debt service payments on housing bonds.

Deferred inflows of resources of \$905,000 represent planned giving donations made under split interest agreements and will be available in future years net of liabilities owed to other beneficiaries.

Net position totals \$117.3 million and is made up of \$8.3 million of net investment in capital assets and \$2.4 million in unrestricted net assets. It also includes \$45.9 million in restricted expendable net assets and \$60.7 million in restricted nonexpendable net assets. The total net position has increased \$2 million.

During fiscal year 2019, the net investment in capital assets increased by \$1 million. Contributing to the change, capital assets decreased \$1.6 million (net of depreciation) and bonds payable reduced by \$2.6 million. A determination was made that the Southside dorms built in the 1960's were no longer suitable for housing. Six of the units were transferred to the University and the remaining nine were written down to zero. Footnote 5 Capital Assets contains additional details.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018**  
**(UNAUDITED)**

**The Statements of Revenues, Expenses, and Changes in Net Position**

Change in net position is based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the revenues earned and the expenses incurred by the Foundation. Revenue, expenses, and changes in net position of the Foundation for the years ended June 30, 2019 and 2018 are presented in the following table:

	2019	Restated 2018	Dollar Change	Percentage Change
Operating revenues	\$ 20,065,540	\$ 29,869,841	\$ (9,804,301)	-32.8%
Operating expenses	19,235,850	19,226,065	9,785	0.1%
Operating income	829,690	10,643,776	(9,814,086)	-92.2%
Other changes in net position	1,165,507	1,885,153	(719,646)	-38.2%
Change in net position	1,995,197	12,528,929	(10,533,732)	-84.1%
Net position, beginning of year	115,263,825	110,271,794	4,992,031	4.5%
Change in accounting principle	-	(7,536,898)	7,536,898	-100.0%
Net position, beginning of year, as restated	115,263,825	102,734,896	12,528,929	12.2%
Net position, end of year	<u>\$ 117,259,022</u>	<u>\$ 115,263,825</u>	<u>\$ 12,528,929</u>	10.9%

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018**  
**(UNAUDITED)**

**The Statements of Revenues, Expenses, and Changes in Net Position (Continued)**

Operating revenues total \$20 million of which \$9 million is related to the student housing system, \$5.4 million are contributions, \$3.4 million represents net unrealized and realized gain on investments, and \$1.5 million are interest and dividends.

Operating expenses total \$19.2 million and are composed of \$10.5 million related to the student housing system, \$5 million represents services to the University, \$1.5 million of scholarships to students, \$1.8 million in general and administrative expenses, and \$476,000 related to fundraising.

The change in accounting principle, which primarily related to pledges on endowments, restated 2018 numbers for comparability at \$7.5 million.

Operating income is \$830,000 and contributions to endowments are \$1.2 million for fiscal year 2019. As a result, net position increased by \$2 million.

Overall, financial position and operations were favorable with investments increasing \$2.7 million and bonds payable outstanding decreasing \$2.7 million. Total expenses were flat at \$19.2 million and revenues decreased by \$9.8 million as investment returns were positive but not as robust as the prior year. The economic outlook continues to be favorable with generally low interest rates with the 10-year treasury yielding below 2% and continued expansion in the United States reflected in quarterly gross domestic product of 2%.

**The Statements of Cash Flows**

The statement of cash flows is important to readers because it shows the Foundation's ability to generate cash required for its operations and payment of obligations in a timely fashion. It also provides information regarding decisions made by management as to the use of cash available.

The statement of cash flows shows the cash provided by and used in operating, investing, capital and related financing activities, and noncapital activities.

- Operating activities include funds received (i.e. private donors) and payments (i.e. for programs, programmatic equipment, materials, and supplies) made for the Foundation and the University.
- Investing activities represent funds used to purchase investments, proceeds from sales of investments, and the funds held for West Florida Historic Trust.
- Capital and related financing activities include the purchase of property and equipment and the principal payments on the bonds.
- Noncapital and related financing activities include funds received for endowments.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018**  
**(UNAUDITED)**

**Economics Factors That Will Affect the Future**

The economic outlook of the Foundation is affected by several factors, including contributions, return on investments, and the State of Florida legislative changes. Annual contributions and endowments have a direct impact on enhancing University programs. The Foundation is not aware of currently known facts, decisions, or conditions that are expected to have a significant effect on the overall financial position or results of operations during the 2020 fiscal year.

**Requests for Information**

Questions concerning information provided in the MD&A or requests for additional information should be addressed to the University of West Florida Foundation, 1000 University Parkway, Building 12, Pensacola, FL 32514 or by calling (850) 474-3380.

## **BASIC FINANCIAL STATEMENTS**

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

**ASSETS**

	2019	Restated 2018
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,344,978	\$ 2,630,280
Restricted cash reserves	11,699	26,400
Contributions receivable, net	469,368	385,076
Other receivables, net	235,633	202,735
Due from University	387,149	378,796
Prepaid expenses	225,361	203,330
Investments	5,772,022	6,790,859
Total current assets	8,446,210	10,617,476
<b>Noncurrent Assets:</b>		
Restricted cash reserves	8,116,773	10,167,193
Contributions receivable, net	3,581,352	2,281,534
Investments	88,783,071	85,058,754
Capital assets, net	52,026,434	53,579,283
Assets held under split interest agreements	3,180,517	3,208,207
Other assets	1,740,547	1,741,780
Total noncurrent assets	157,428,694	156,036,751
<b>Total Assets</b>	<b>\$ 165,874,904</b>	<b>\$ 166,654,227</b>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 677,407	\$ 739,080
Bonds payable, net	2,680,371	2,578,196
Total current liabilities	3,357,778	3,317,276
<b>Noncurrent Liabilities:</b>		
Liabilities under split-interest agreements	2,159,914	1,604,792
Due to West Florida Historic Trust	1,173,507	1,238,296
Bonds payable, net	41,019,852	43,742,395
Total noncurrent liabilities	44,353,273	46,585,483
<b>Deferred Inflows of Resources:</b>		
Split-interest agreements	904,831	1,487,643
<b>Net Position:</b>		
Net investment in capital assets	8,326,211	7,258,692
Unrestricted	2,378,339	5,250,229
Restricted -		
Expendable	45,873,580	43,367,062
Nonexpendable	60,680,892	59,387,842
Total net position	117,259,022	115,263,825
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 165,874,904</b>	<b>\$ 166,654,227</b>

The accompanying notes are an integral  
part of these financial statements.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>Restated 2018</u>
<b>Operating Revenues:</b>		
Contributions	\$ 5,373,076	\$ 3,474,949
Interest and dividend income	1,514,607	1,283,955
Net unrealized and realized gain on investments	3,397,696	7,100,889
Student housing system	8,980,297	9,258,099
University support - non cash	685,555	8,609,446
Other operating revenues	114,309	142,503
Total operating revenues	<u>20,065,540</u>	<u>29,869,841</u>
<b>Operating Expenses:</b>		
Scholarships	1,481,751	1,947,358
Other program services	5,012,417	5,245,928
Student housing system	10,493,569	9,675,136
Fundraising services	476,206	346,255
General and administrative	1,771,907	2,011,388
Total operating expenses	<u>19,235,850</u>	<u>19,226,065</u>
<b>Operating Income Before Other Changes in Net Position</b>	829,690	10,643,776
<b>Other Changes in Net Position:</b>		
Endowed contributions	<u>1,165,507</u>	<u>1,885,153</u>
<b>Change in Net Position</b>	<u>1,995,197</u>	<u>12,528,929</u>
<b>Net Position, Beginning of Year</b>	115,263,825	110,271,794
<b>Change in Accounting Principle</b>	<u>-</u>	<u>(7,536,898)</u>
<b>Net Position, Beginning of Year, as restated</b>	<u>115,263,825</u>	<u>102,734,896</u>
<b>Net Position, End of Year</b>	<u>\$ 117,259,022</u>	<u>\$ 115,263,825</u>

The accompanying notes are an integral  
part of these financial statements.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	Restated 2018
<b>Cash Flows From Operating Activities:</b>		
Cash receipts from contributions	\$ 3,988,966	\$ 3,540,493
Interest and dividend received	1,514,607	1,283,955
Cash receipts from student housing system	8,980,297	9,258,099
Cash receipts from other operating revenues	73,058	233,626
Cash paid for operating expenses	(14,694,068)	(15,784,025)
Net cash used in operating activities	(137,140)	(1,467,852)
<b>Cash Flows From Investing Activities:</b>		
Purchase of investment securities	(18,833,490)	(12,325,535)
Proceeds from sales of investment securities	19,525,706	15,800,636
Due to West Florida Historic Trust	(64,789)	(98,586)
Net cash provided by investing activities	627,427	3,376,515
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition of property and equipment	(2,385,849)	(997,213)
Bond principal payments	(2,620,368)	(2,527,669)
Net cash used in capital and related financing activities	(5,006,217)	(3,524,882)
<b>Cash Flows From Noncapital Financing Activities:</b>		
Endowment contributions	1,165,507	1,885,153
<b>Net Increase (Decrease) in Cash</b>	(3,350,423)	268,934
<b>Cash, Beginning of Year</b>	12,823,873	12,554,939
<b>Cash, End of Year</b>	\$ 9,473,450	\$ 12,823,873
<b>Displayed As:</b>		
Cash and cash equivalents	\$ 1,344,978	\$ 2,630,280
Current restricted cash reserves	11,699	26,400
Noncurrent restricted cash reserves	8,116,773	10,167,193
	\$ 9,473,450	\$ 12,823,873

The accompanying notes are an integral  
part of these financial statements.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(Continued)**

	2019	Restated 2018
<b>Reconciliation of Operating Income to net Cash</b>		
<b>Used In Operating Activities:</b>		
Operating income	\$ 829,690	\$ 10,643,776
Adjustments to reconcile operating income to		
Net cash used in operating activities -		
Net unrealized and realized gain on long-term investments	(3,397,696)	(7,100,889)
Contributions of property and equipment	-	(6,475,202)
Contributions of works of art	-	(1,388,420)
Bad debt expense	18,760	24,982
Loss on impairment of capital assets	417,643	-
Loss on disposal of assets	300,277	15,992
Change in fair value of -		
Contributions receivable	(5,689)	(5,689)
Cash surrender value of insurance policies	1,233	(27,084)
Depreciation	3,220,778	2,949,112
Change in operating assets and liabilities -		
Contributions receivable	(1,383,157)	64,663
Other receivables	(46,922)	10,019
Due from University	(8,353)	62,692
Prepaid expenses	(22,031)	(12,418)
Accounts payable and accrued expenses	(61,673)	(229,386)
Net cash used in operating activities	\$ (137,140)	\$ (1,467,852)
 <b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	\$ 1,658,035	\$ 1,753,769
 <b>Supplemental Disclosure of Capital and Related</b>		
<b>Financing Activities:</b>		
Property and equipment received as contributions	\$ -	\$ 6,475,202
Collections received as contributions	\$ -	\$ 1,388,420

The accompanying notes are an integral  
part of these financial statements.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting Entity:*

The University of West Florida Foundation, Inc. (the “Foundation”) was organized as a Florida not-for-profit corporation in 1965 for the purpose of soliciting, receiving, and administering gifts and bequests of property and funds for scientific, educational, and charitable purposes, all for the advancement of the University of West Florida (the “University”) and its objectives. The Foundation is a direct-support organization of the University, as provided for in Section 1004.28, Florida Statutes, and Rule 6C-9.011, Florida Administrative Code, and therefore is considered a component unit of the University.

The Foundation is considered a discrete component unit of the University due to the University’s governance and budgetary oversight responsibility and due to the Foundation’s significant operational and financial relationship with the University.

The Foundation owns the Student Housing System and is responsible for the management thereof, along with the associated revenues, expenses and debt related to the operation of these projects as further described in Note 11 to the financial statements.

*Change in Accounting Principle:*

In prior reporting years, the Foundation reported following the standards of accounting and financial reporting prescribed for nonprofit organizations as prescribed by the Financial Accounting Standards Board (“FASB”). Changes made to Section 1004.28, Florida Statutes increased the University’s governance and oversight requiring the Foundation to follow standards of accounting and financial reporting that are generally accepted for governmental entities. In these financial statements, management has restated the prior period in accordance with the Governmental Accounting Standards Board (“GASB”). As such, prior year net income increased by \$784,283 and prior year beginning net position decreased by \$7,536,898.

*Basis of Accounting:*

The Foundation follows standards of accounting and financial reporting that are generally accepted in the United States of America for governmental business-type activities. The Foundation’s financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

*Fund Accounting:*

To help ensure observance of limitations and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund in the general ledger. For reporting purposes, these funds are combined into one column.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund Accounting (Continued):*

The net position of the Foundation is reported in three categories as follows:

*Net Investment in Capital Assets* - Represents funds that consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any revenue bonds that are attributable to and expended on the acquisition, construction or improvement of those assets net of any related unspent debt proceeds.

*Unrestricted* - Represents funds that are available without restriction for carrying out the Foundation's objectives.

*Restricted* - Restricted net position represents net position that is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation. Restricted funds include:

*Expendable:* Represents funds that are subject to donor, grantor or other outside party restrictions to use for the benefit of various programs at the University and includes the expendable portion of endowment funds. These programs include endowed chairs and professorships, research funding and student scholarships.

*Nonexpendable:* Represents the nonexpendable portion (corpus) of endowment funds that are subject to donor, grantor, or other outside party restrictions for the benefit of various programs at the University. These programs include endowed chairs, professorships, and student scholarships. The corpus of the permanent endowments are retained and reported in nonexpendable endowments, while the net earnings or losses on endowment funds are included in expendable funds available for expenditure.

As a general practice, the Foundation applies restricted resources when an expense relating to the purpose restriction imposed by the outside party is incurred before unrestricted resources are used.

*Operating and Nonoperating Activities:*

Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities that are in support of the University's programs. Operating activities relate to the Foundation's principal function, which is to solicit, receive, hold, invest and administer charitable contributions for the benefit of the University. Operating revenues also include rental revenue from student housing facilities. Nonoperating revenues include certain revenue sources that provide additional funding not included in operating revenues and include University related support and endowment contributions.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and Cash Equivalents:*

The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and a portion of cash placed with the State Treasury Special Purpose Investment Account (“SPIA”).

SPIA has enacted liquidity requirements limiting the amount of money SPIA participants can withdraw from their accounts. The portion considered liquid is calculated as forty percent of the previous three months’ average daily balance.

For the purpose of reporting cash flows, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the Foundation considers the liquid portion of SPIA deposits to be cash equivalents.

Noncurrent cash and cash equivalents at June 30, 2019 and 2018, include cash that is restricted or is not expected to be used during the Foundation’s next fiscal year.

*Restricted Cash Equivalents:*

Restricted cash equivalents represent a portion of SPIA, and funds held by bond trustees for construction of on-campus housing, debt service, and maintenance of reserves required under the bond indentures. In addition, SPIA has established a minimum balance for each account. Each SPIA participant is required to give six months’ notice for all withdrawals below the floor, which is calculated as sixty percent of the previous three months’ average daily balance.

*Investments:*

The Foundation has created various pools for the investment of funds on a consolidated basis. All investments are reported at fair value. Investments that are expected to be used within the next 12 months are classified as current investments. Investments classified as noncurrent primarily represent the corpus of donor restricted contributions and amounts subject to other internal designations by the Board of Directors and management as well as investments not expected to be used during the next fiscal year.

Investment income includes interest, dividends, realized and unrealized gains or losses.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Contributions Receivable:*

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, all non-endowed pledges that have met all eligibility requirements that are verifiable, probable, and measurable are recorded at their estimated realizable value on a discounted basis. An allowance for uncollectible contribution receivables is estimated and recorded based on management's judgment of the collectability in future years.

*Capital Assets:*

Capital assets consists of office equipment and property held for lease, future use, or sale. Purchased assets are recorded at cost, while donated assets are recorded at fair market value at the date of donation. Where a contributed asset has an uncertain fair market value due to deed restrictions, the Foundation records no value for the property. The Foundation has a capitalization threshold of \$20,000. Depreciation is allocated over the estimated useful lives of the respective assets on a straight-line basis as follows:

	<u>Years</u>
Property and improvements	7 - 45
Equipment and software	3 - 10

The Foundation capitalizes interest costs on borrowing incurred during the construction of qualifying assets. The capitalized interest is amortized over the life of the borrowing.

*Split-Interest Agreements:*

The Foundation serves as trustee for split-interest agreements classified as charitable gift annuities and charitable remainder unitrust. Assets received under these agreements are recorded at fair market value and the liabilities to make future payments under these agreements are recorded at present value, with the difference reported as deferred inflows of resources. These assets and liabilities are adjusted to reflect changes in their fair market value and present value. The determination of the present value of liabilities under split-interest agreements is based on discount rates and mortality tables established by the Internal Revenue Code and Regulations.

*Works of Art:*

Donated works of art are capitalized and are recorded as other assets on the statements of net position.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Deferred Inflows of Resources:*

The Foundation reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of the statement of net position. Deferred inflows of resources relate to split interest agreements.

*Revenue Recognition:*

Contributions of cash, investments securities or pledges receivable are recognized at fair value when all eligibility requirements have been met and are recognized when funds are received. Property and equipment donated to the Foundation are recorded at their estimated values at the dates of donation. Donated services are not recognized by the Foundation. Conditional promises to give are not recognized until the condition has been met. Additions to endowments and other trusts are not recognized until the resources are received and all eligibility requirements have been met.

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 University direct support organizations by the University. As discussed in Note 6, the Foundation accounts for the recognition and measurement for services received from affiliated organizations when not charged.

*Bond Discounts and Premiums:*

Bond discounts and premiums are amortized over the terms of the bonds using the straight-line method since the difference between this method and the effective interest method is not material to the financial statements. Bond discounts and premiums are presented as an adjustment to the face amount of bonds payable.

*Compensated Absences:*

Employees of the Foundation are entitled to paid vacation and sick days depending on job classification, length of service and other factors. Upon termination of employment, an employee will be paid for accumulated annual leave. In addition, an employee with ten or more years of service may be paid for a portion of their accumulated sick leave.

At June 30, 2019 and 2018, accrued compensated absences totaling \$375,298 and \$318,566 were reported as a component of accrued expenses in the accompanying financial statements.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Other Program Services:*

Other program services consist of expenditures to support the objectives of the University and/or its various colleges and departments.

*Income Taxes:*

The Foundation is a nonprofit organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. However, income from certain investment activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

*Use of Estimates:*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Retirement Plan and Other Post-Employment Healthcare Benefits:*

As discussed in more detail in Note 10, Foundation employees may elect to participate in the Florida Retirement System consisting of a defined benefit plan; the Deferred Retirement Option Program, an alternative method for retirement payment; and the Public Employee Optional Retirement Program, a defined contribution plan. These plans have vesting and service requirements. Certain eligible faculty and administrators may also elect to participate in the Optional Retirement Program, a defined contribution plan which provides full and immediate vesting of contributions. Certain key University personnel participate in a money-purchase retirement savings plan with specific vesting schedules.

As required by Section 112.0804, Florida Statutes, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium cost (borne by the retiree) applicable to active employees. The University allows retirees to participate in the plan at reduced or blended group rates. These rates may provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

Since all employees who work for the Foundation are employees of the University, the liabilities for pensions and other post-employment benefits is reported by the University and not reflected on the Foundation's financial statements.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS**

*Cash and Cash Equivalents:*

At June 30, 2019 and 2018, unrestricted cash and cash equivalents consisting of bank demand accounts were as follows:

	2019	2018
Foundation cash on deposit	\$ 1,290,484	\$ 2,304,203
Housing cash on deposit	54,494	326,077
	\$ 1,344,978	\$ 2,630,280

At June 30, 2019 and 2018, restricted cash and cash equivalents consisting of State of Florida's Division of Treasury's SPIA and Housing reserve accounts were as follows:

	2019	2018
Housing operating reserves	\$ 926,671	\$ 1,203,135
Housing replacement reserves	357,529	695,375
Housing contingency and improvement reserve	4,853,841	6,152,899
Courtelis reserve	548,494	640,230
SPIA operating reserves	1,429,096	1,475,554
Housing bond service accounts	12,841	26,400
	8,128,472	10,193,593
Less current portion	11,699	26,400
Restricted cash, less current portion	\$ 8,116,773	\$ 10,167,193

*Custodial Credit Risk - Deposits:*

Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Foundation's deposits may not be returned to it. It is the Foundation's policy to monitor deposits on account to avoid deposits that are not covered by depository insurance or are uncollateralized. The Foundation's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At June 30, 2019, the Foundation's uninsured cash balance at financial institutions totaled approximately \$87,000.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Custodial Credit Risk - Deposits (Continued):*

At June 30, 2019, the Foundation maintained approximately \$7,549,000 of cash and cash equivalent balances in the State of Florida's Division of Treasury's SPIA investment pool ("Pool"). This amount is the Foundation's pro-rata ownership in the Pool itself, not in the underlying securities. The Pool is invested in a combination of short-term liquid instruments and intermediate term fixed income securities. Federal depository insurance does not insure amounts in the Pool. At June 30, 2019, the Pool was rated at AA-f by Standard and Poor's and had an effective duration of 2.71 years. Fair value for this account is determined by multiplying the Foundation's cost for its pro-rata share of the Pool by the Pool's Fair Value Factor ("Factor"). At June 30, 2019, the unaudited Factor was 1.0103. The Factor is determined by an independent pricing service which uses quoted market prices as well as multifactor models for securities which have no quoted market prices.

Additional information may be found in Note 2 to the State of Florida Comprehensive Annual Financial Report ("CAFR") and at the Treasury's website, [www.fltreasury.org](http://www.fltreasury.org). Due to the dollar for dollar liquidity of the account, the cash amounts in the Foundation's financial statements that are held in SPIA have not been adjusted for the unaudited fair value factor.

Additional financial instruments that potentially subject the Foundation to custodial credit risk consist of cash deposits at brokerage firms. These accounts are not insured by the FDIC. At June 30, 2019, the Foundation maintained cash and cash equivalent balances at these institutions totaling approximately \$1,824,000.

Management monitors the soundness of the financial institutions and does not believe the Foundation is exposed to any significant credit risk on cash and cash equivalents.

*Investments:*

The Foundation has an investment policy which provides guidelines for the investments of Foundation assets. The purpose of these assets is to further the overall mission of the University. The objectives of the assets are the enhancement of capital and real purchasing power while limiting exposure to risk of loss. Real purchasing power of real rate of return will be defined as returns in excess of inflation as defined by Consumer Price Index. The investment policy provides information on authorized asset classes, target allocations and ranges of acceptable investment categories.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Investments (Continued):*

Investments are carried at fair value and consist of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
<b>June 30, 2019:</b>			
Certificates of deposit	\$ 599,649	\$ 599,649	\$ -
Equity securities -			
Common stock and mutual funds	49,219,517	61,088,241	11,868,724
Debt securities	16,872,372	17,145,999	273,627
Alternative investments -			
Fund of fund hedge funds	5,497,079	8,982,267	3,485,188
Private equity investments	2,569,952	3,641,312	1,071,360
Real estate investment trust	2,834,936	3,097,625	262,689
	<u>\$ 77,593,505</u>	<u>\$ 94,555,093</u>	<u>\$ 16,961,588</u>
<b>June 30, 2018:</b>			
Certificates of deposit	\$ 586,890	\$ 586,890	\$ -
Equity securities -			
Common stock and mutual funds	44,673,403	59,183,345	14,509,942
Debt securities	17,512,327	17,456,679	(55,648)
Alternative investments -			
Fund of fund hedge funds	5,586,458	8,799,734	3,213,276
Private equity investments	1,997,095	2,648,851	651,756
Real estate investment trust	2,855,044	3,174,114	319,070
	<u>\$ 73,211,217</u>	<u>\$ 91,849,613</u>	<u>\$ 18,638,396</u>

Wells Fargo is the custodian for the Foundation's equity securities, debt securities and fund of fund hedge funds.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Investments (Continued):*

As further discussed in Note 6, on July 1, 2016, the Foundation entered into a cash and securities agreement with the Pensacola Museum of Art (“PMA”) for the furtherance of the PMA mission. The Foundation acts as a manager of PMA’s certificates of deposit and mutual funds which are included in the Foundation’s investment balance. These investments are kept separate from the Foundation’s investment pool. Balances at June 30 were as follows:

	2019	2018
Certificates of deposit	\$ 599,649	\$ 586,890
Mutual funds	116,761	112,800
	\$ 716,410	\$ 699,690

As further discussed in Note 9, the fair market value of all endowed investments was at a level above the minimum required by donor stipulations, totaling \$13,228,774. However, individual donor-restricted endowment funds were deficient, totaling \$44,072, where the fair value of the investments at June 30, 2019 was less than the level required by the donor stipulations.

The net return on investments was as follows:

	Total Unrestricted	Total Expendable
<b>Year Ended June 30, 2019 -</b>		
Dividends and interest	\$ 3,467	\$ 1,511,140
Net realized gain on investments	12,691	5,401,634
Unrealized gain (loss) on investments	671,602	(2,688,231)
Total return on investments	\$ 687,760	\$ 4,224,543
 <b>Year Ended June 30, 2018 -</b>		
Dividends and interest	\$ 25,088	\$ 1,258,867
Net realized gain on investments	79,454	3,927,857
Unrealized gain on investments	1,390,156	1,703,422
Total return on investments	\$ 1,494,698	\$ 6,890,146

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Custodial Credit Risk - Investments:*

Custodial risk for investments is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. It is the Foundation's policy to require that all securities be held by the Foundation's agent in the Foundation's name. The Foundation's investments as of June 30, 2019 and 2018, excluding mutual funds and alternative investments, are uninsured and registered with securities held by the Foundation's agent in the Foundation's name. Mutual funds and alternative investments do not have specific securities, are uninsured and are held in the book entry form.

*Concentration of Credit Risk:*

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy requires diversification of investments sufficient to reduce the potential of a single security, single sector of securities, or single investment manager having a disproportionate or significant impact on the portfolio. Guidelines for individual sectors of the portfolio further indicate percentage limitations.

Disclosure of any issuer of investments that in the aggregate is 5% or more of the portfolio is required to be disclosed as a concentration of credit risk (investments issued by or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools and other pooled investments are exempt). As of June 30, 2019, there were no concentrations of credit risk.

*Credit Risk:*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019 and 2018, the credit quality ratings of the Foundation's debt securities were as follows:

<u>Standard and Poor's Credit Rating</u>	<u>2019</u>	<u>2018</u>
AAA	\$ 5,468,988	\$ 5,374,002
AA	895,142	1,007,371
A	3,133,401	3,364,547
BBB	3,566,452	3,919,381
BB	3,325,341	3,071,920
B	756,675	718,392
Unrated	-	1,066
	<u>\$ 17,145,999</u>	<u>\$ 17,456,679</u>

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.  
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Credit Risk (Continued):*

Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The schedule above only reflects the credit risk related to debt securities that are directly held by the Foundation.

*Interest Rate Risk:*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its exposure to fair value loss occurring from interest rate risk is through maintaining diversification of its investments and investment maturities so as to minimize the impact of downturns in the market as stated above.

As of June 30, 2019, the Foundation's debt securities of \$17,145,999 had weighted average maturities of 1 - 5 years. As of June 30, 2018, the Foundation's debt securities had the following weighted average maturities:

Total Fair Value	Less than 1 year	1-5 years
\$ 17,456,679	\$ 6,790,859	\$ 10,665,820

Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The schedule above only reflects the interest rate risk related to debt and equity securities that are directly held by the Foundation.

*Foreign Currency Risk:*

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. It is the Foundation's policy to limit its exposure to foreign currency risk by limiting the asset allocation in international investments in accordance with the established targets in the approved investment policy. As of June 30, 2019 and 2018, the Foundation did not have any direct investments subject to this risk. As of June 30, 2019 and 2018, the Foundation's assets were held in U.S. currency, the currency risk on international and global assets is absorbed by the underlying investments managers.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Fair Value Measurements:*

The Foundation utilizes various methods to measure fair value of its assets and liabilities on a recurring basis. U.S. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of hierarchy are:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3: Unobservable inputs that are supported by little or no market activity.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of any input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Changes in valuation techniques may result in transfers in or out of an investment's assigned level as described above.

The inputs used to measure the fair value of contributions receivable are categorized as Level 3.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Fair Value Measurements (Continued):*

The fair value of the Foundation's assets and liabilities at June 30, 2019 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value -				
Equity securities-Domestic & International	\$ 61,088,241	\$ 61,088,241	\$ -	\$ -
Debt securities	17,145,999	11,462,615	5,683,384	-
Alternative investments:				
Private equity investments	1,701,594	-	-	1,701,594
Real estate investment trust	3,097,625	-	-	3,097,625
Total alternative investments	4,799,219	-	-	4,799,219
Funds held in trust by others	3,180,517	3,180,517	-	-
Contributions receivable, net	4,050,720	-	-	4,050,720
Total assets measured at fair value	90,264,696	75,731,373	5,683,384	8,849,939
Assets measured at net asset value (NAV) -				
Fund of fund hedge funds	8,982,267			
Private equity investments	1,939,718			
Total assets measured at NAV	10,921,985			
Total assets	101,186,681			
Liabilities:				
Funds held in trust	2,159,914	-	-	2,159,914
Due to WFHT	1,173,507	-	1,173,507	-
Total liabilities	3,333,421	-	1,173,507	2,159,914
Total	\$ 97,853,260	\$ 75,731,373	\$ 4,509,877	\$ 6,690,025

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Fair Value Measurements (Continued):*

The fair value of the Foundation's assets and liabilities at June 30, 2018 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value -				
Equity securities-Domestic & International	\$ 59,183,345	\$ 59,183,345	\$ -	\$ -
Debt securities	17,456,679	12,173,971	5,282,708	-
Alternative investments:				
Private equity investments	1,231,297	-	-	1,231,297
Real estate investment trust	3,174,114	-	-	3,174,114
Total alternative investments	4,405,411	-	-	4,405,411
Funds held in trust by others	3,208,207	3,208,207	-	-
Contributions receivable, net	2,666,610	-	-	2,666,610
Total assets measured at fair value	86,920,252	74,565,523	5,282,708	7,072,021
Assets measured at net asset value (NAV) -				
Fund of fund hedge funds	8,799,734			
Private equity investments	1,417,554			
Total assets measured at NAV	10,217,288			
Total assets	97,137,540			
Liabilities:				
Funds held in trust	1,604,792	-	-	1,604,792
Due to WFHT	1,238,296	-	1,238,296	-
Total liabilities	2,843,088	-	1,238,296	1,604,792
Total	\$ 94,294,452	\$ 74,565,523	\$ 4,044,412	\$ 5,467,229

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Fair Value Measurements (Continued):*

The following methods and assumptions were used to estimate the fair value for each class of asset and liability, measured at fair value:

Equity securities - Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Debt securities - Investments in fixed income securities are classified as Level 1 as they trade with sufficient frequency and volume to enable the Foundation to obtain pricing information on an ongoing basis. However, a small segment of debt security holdings are in a High Yield Commingled Fund where there are inputs, other than quoted prices included in Level 1, that are observable, either directly or indirectly, and therefore included in Level 2.

Alternative investments - Investments in private equity partnerships for which there is no readily determinable fair value is classified as Level 3 as the valuation is based on significant unobservable inputs.

Private equity and real estate investment trust funds for which there are not readily determinable fair values are classified as Level 3 as the valuation is based on significant unobservable inputs. Private equity real estate are partnerships formed for the purpose of acquiring, holding, managing and selling income producing real estate and real estate related assets including interest in joint venture development projects for current income, investment and capital appreciation over a three to five year holding period.

Funds held in trust by others - Funds held in trust by others are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available. The liabilities are classified as Level 3 as they are measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

Contributions receivable - Unconditional promises to give that are expected to be collected in future years are recorded at an estimated fair value determined using the discounted present value of expected cash flows. They are classified as Level 3 as the discounts on those amounts are computed using a risk adjusted discount rate applicable at the time promises are received.

Due to WFHT - The amount payable to WFHT is classified as Level 2 as the value correlates directly to the fair value of WFHT's interest in the Foundation's investment pool.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Fair Value Measurements (Continued):*

The following table presents a reconciliation of the statement of net position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

	Private Equity	Real Estate	Contributions Receivable, net	Funds Held in Trust by Others	Total
<b>Assets:</b>					
Beginning balance	\$ 1,231,297	\$ 3,174,114	\$ 2,666,610	\$ -	\$ 7,072,021
Total gains or losses:					
Included in change					
in net assets	193,032	129,854	-	-	322,886
Purchases, issuances, sales, and settlements:					
Purchases	685,843	278,207	-	-	964,050
Settlements	(408,578)	(484,550)	-	-	(893,128)
New pledges, payments, Write-offs:					
New pledges	-	-	1,754,120	-	1,754,120
Payments	-	-	(370,010)	-	(370,010)
<b>Total assets</b>	<b>1,701,594</b>	<b>3,097,625</b>	<b>4,050,720</b>	<b>-</b>	<b>8,849,939</b>
<b>Liabilities:</b>					
Beginning balance	-	-	-	1,604,792	1,604,792
Adjustments	-	-	-	582,814	582,814
Total gains or losses:					
Included in change					
in net assets	-	-	-	156,958	156,958
Purchases, issuances, sales, and settlements:					
Purchases	-	-	-	-	-
Settlements	-	-	-	(184,650)	(184,650)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,159,914</b>	<b>2,159,914</b>
<b>Total</b>	<b>\$ 1,701,594</b>	<b>\$ 3,097,625</b>	<b>\$ 4,050,720</b>	<b>\$ (2,159,914)</b>	<b>\$ 6,690,025</b>

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Fair Value Measurements (Continued):*

The following table presents a reconciliation of the statement of net position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2018:

	Private Equity	Real Estate	Contributions Receivable, net	Funds Held in Trust by Others	Total
<b>Assets:</b>					
Beginning balance	\$ 1,214,879	\$ 1,584,893	\$ 2,929,739	\$ -	\$ 5,729,511
Total gains or losses:					
Included in change in net assets	97,027	355,098	-	-	452,125
Purchases, issuances, sales, and settlements:					
Purchases	216,816	1,547,796	-	-	1,764,612
Settlements	(297,425)	(313,673)	-	-	(611,098)
New pledges, payments, Write-offs:					
New pledges	-	-	527,655	-	527,655
Payments	-	-	(662,142)	-	(662,142)
Write-offs	-	-	(128,642)	-	(128,642)
<b>Total assets</b>	<b>1,231,297</b>	<b>3,174,114</b>	<b>2,666,610</b>	<b>-</b>	<b>7,072,021</b>
<b>Liabilities:</b>					
Beginning balance	-	-	-	1,642,526	1,642,526
Adjustments	-	-	-	(67,526)	(67,526)
Total gains or losses:					
Included in change in net assets	-	-	-	166,887	166,887
Purchases, issuances, sales, and settlements:					
Purchases	-	-	-	46,566	46,566
Settlements	-	-	-	(183,661)	(183,661)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,604,792</b>	<b>1,604,792</b>
<b>Total</b>	<b>\$ 1,231,297</b>	<b>\$ 3,174,114</b>	<b>\$ 2,666,610</b>	<b>\$ (1,604,792)</b>	<b>\$ 5,467,229</b>

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Fair Value Measurements (Continued):*

The following tables set forth a summary of valuation techniques and quantitative information utilized in determining the fair value of the Level 3 assets and liabilities as of June 30, 2019, excluding investments valued using the practical expedient or the net asset value (“NAV”).

<u>Asset or Liability Type</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Real Estate Investment Trust - Harbert IV:				
Real Estate Partnership Interest	\$ 42,120	Independent Appraisal	Capitalization Rate	8.25%
Real Estate Investment Trust - Harbert V:				
Real Estate Partnership Interest	\$ 281,068	Independent Appraisal	Capitalization Rate	7.04%
Real Estate Partnership Interest	\$ 566,103	Direct Capitalization	Capitalization Rate	6.75%
Real Estate Partnership Interest	\$ 212,359	Market Transactions (a)	N/A	N/A
Real Estate Investment Trust - Harbert VI:				
Real Estate Partnership Interest	\$ 60,961	Independent Appraisal	Capitalization Rate	N/A
Real Estate Partnership Interest	\$1,263,672	Direct Capitalization	Capitalization Rate	6.71%
Real Estate Partnership Interest	\$ 671,342	Market Transactions (a)	N/A	N/A
Private Equity Investments - Step Stone:				
Preferred Partnership Interest	\$ 212,191	Escrow	Other (b)	N/A
Member or Partnership Interest	\$ 416,870	Escrow	Other (b)	N/A

(a) Market Transactions include related capital expenditures of a particular investment.

(b) Investment is valued based on the estimated future distributions expected to be received in 2019 from the release of escrow and sale of transaction reserves.

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Fair Value Measurements (Continued):*

<u>Asset or Liability Type</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Private Equity Investments - Portfolio	Advisor Credit	Opportunities Fund:		
Common Securities	\$ 69,373	Market Comparable Companies	EBITDA Multiple (10.1X)	7.6x - 15.8x
Common Securities	\$ 20,791	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 20,545	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 25,664	Market comparable companies	EBITDA Multiple (10.1X)	8.4x - 11.1x
Debt Securities	\$ 128,129	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 408,032	Relative Value Analysis	Yield to Maturity 11.86%	9.3% - 15.70%
Contributions receivable, net	\$4,050,720	Discounted present value	Discounted present value of expected cash flows at a risk-adjusted discount rate applicable at the time promises are received	N/A
Funds Held in Trust - Liabilities	\$2,159,914	Factor times Annuity	Value of \$1 paid every year discounted for both mortality and interest multiplied by the annual amount paid to annuitant(s)	N/A

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Fair Value Measurements (Continued):*

The following table lists investments in hedge funds and investment limited partnerships by strategy, excluding investments measured at net asset value, as of June 30, 2019:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Fund of Fund Hedge Funds:				
Equity market neutral	8,982,267	-	Quarterly to Semi-annual	95 Days
Private equity investments	<u>1,939,718</u>	<u>1,421,124</u>	N/A*	N/A*
	<u>\$ 10,921,985</u>	<u>\$ 1,421,124</u>		

\* These funds are in private equity structures, with no ability to be redeemed.

\*\* These funds are in trust that have no identifiable redemption period.

**NOTE 3 - CONTRIBUTIONS RECEIVABLE**

The Foundation records unconditional promises to give using fair value adjusted for the current year end discount rates, ranging from 0% to 33%, based on the prevailing five-year Treasury constant maturities. As of June 30, 2019 and 2018, the fair value adjustment to contributions revenue was \$482,237 and \$487,926, respectively. Multi-year contributions receivable are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions. In 2019 and 2018, there were no transfers of contributions receivable into or out of Level 3.

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**NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)**

Unconditional promises to give at June 30 are due as follows:

	2019	Restated 2018
	<u>2019</u>	<u>2018</u>
In one year or less	\$ 476,762	\$ 394,040
Between one and five years	2,309,851	1,563,777
Greater than five years	1,758,163	1,203,802
Total contributions receivable, gross	<u>4,544,776</u>	<u>3,161,619</u>
Less discounts to net fair value	482,237	487,926
Less allowance for doubtful accounts	<u>11,819</u>	<u>7,083</u>
Net contributions receivable, fair value	<u>\$ 4,050,720</u>	<u>\$ 2,666,610</u>
Current contributions receivable, net	\$ 469,368	\$ 385,076
Noncurrent contributions receivable, net	<u>3,581,352</u>	<u>2,281,534</u>
Total contributions receivable, net	<u>\$ 4,050,720</u>	<u>\$ 2,666,610</u>

Time-restricted and endowment contributions receivable (gross) not recognized in the statement of net position under the provisions of GASB No. 33 were \$5,888,547 and \$6,092,397 at June 30, 2019 and 2018, respectively.

Conditional promises to give amounted to \$2,438,052 at June 30, 2019 for state matching funds from the State of Florida Major Gifts Trust Fund. The funds will be forwarded to the Foundation in the event that future appropriations are made by the state legislature.

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**NOTE 4 - OTHER RECEIVABLES**

Other receivables at June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Student loan fund	\$ 68,025	\$ 65,321
Rent, less allowance of \$250,896 in 2019 and \$236,872 in 2018	146,859	118,744
Other	<u>20,749</u>	<u>18,670</u>
Net other receivables	<u>\$ 235,633</u>	<u>\$ 202,735</u>

The Student Loan Fund, established through contributions, provides low-interest, short-term loans to students. All transactions are conducted through the University's cashiers' office. The Student Loan Program is made up of accounts receivable for loans to students, funds held at the University available for loans to students, and funds invested in a quasi-endowment at the Foundation. The Foundation holds \$236,825 that is invested in a quasi-endowment. Earnings in the quasi-endowment are transferred to the University, as needed, to support the Student Loan Program.

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**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Capitals assets not being depreciated:</i>					
Land	\$ 2,334,483	\$ 725,000	\$ -	\$ -	\$ 3,059,483
Construction in progress	979,690	1,660,849	-	(2,190,719)	449,820
Total capital assets not being depreciated	<u>3,314,173</u>	<u>2,385,849</u>	<u>-</u>	<u>(2,190,719)</u>	<u>3,509,303</u>
<i>Capitals assets being depreciated:</i>					
Property held under capital lease	75,503,947	-	-	2,190,719	77,694,666
Timeless Tanglewood property	5,595,202	-	-	-	5,595,202
Office equipment and software	501,957	-	-	-	501,957
Idle property	1,985,003	-	(794,001)	-	1,191,002
Total capital assets being depreciated	<u>83,586,109</u>	<u>-</u>	<u>(794,001)</u>	<u>2,190,719</u>	<u>84,982,827</u>
Less accumulated depreciation for:					
Property held under capital lease	31,540,965	2,993,437	-	-	34,534,402
Timeless Tanglewood property	84,114	168,230	-	-	252,344
Office equipment and software	480,567	7,381	-	-	487,948
Idle property	1,215,353	469,373	(493,724)	-	1,191,002
Total accumulated depreciation	<u>33,320,999</u>	<u>3,638,421</u>	<u>(493,724)</u>	<u>-</u>	<u>36,465,696</u>
Total capital assets being depreciated, net	<u>\$ 53,579,283</u>	<u>\$ (1,252,572)</u>	<u>\$ (300,277)</u>	<u>\$ -</u>	<u>\$ 52,026,434</u>

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**NOTE 5 - CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Capitals assets not being depreciated:</i>					
Land	\$ 1,454,483	\$ 880,000	\$ -	\$ -	\$ 2,334,483
Construction in progress	793,784	997,213	(15,994)	(795,313)	979,690
Total capital assets not being depreciated	<u>2,248,267</u>	<u>1,877,213</u>	<u>(15,994)</u>	<u>(795,313)</u>	<u>3,314,173</u>
<i>Capitals assets being depreciated:</i>					
Property held under capital lease	74,708,634	-	-	795,313	75,503,947
Timeless Tanglewood property	-	5,595,202	-	-	5,595,202
Office equipment and software	501,957	-	-	-	501,957
Idle property	1,985,003	-	-	-	1,985,003
Total capital assets being depreciated	<u>77,195,594</u>	<u>5,595,202</u>	<u>-</u>	<u>795,313</u>	<u>83,586,109</u>
Less accumulated depreciation for:					
Property held under capital lease	28,760,091	2,780,874	-	-	31,540,965
Timeless Tanglewood property	-	84,114	-	-	84,114
Office equipment and software	473,186	7,381	-	-	480,567
Idle property	1,138,610	76,743	-	-	1,215,353
Total accumulated depreciation	<u>30,371,887</u>	<u>2,949,112</u>	<u>-</u>	<u>-</u>	<u>33,320,999</u>
Total capital assets being depreciated, net	<u>\$ 49,071,974</u>	<u>\$ 4,523,303</u>	<u>\$ (15,994)</u>	<u>\$ -</u>	<u>\$ 53,579,283</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$3,220,778 and \$2,949,112, respectively. As discussed below, an impairment loss of \$417,643 is included in increases to accumulated depreciation for the idle property for the year ended June 30, 2019.

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**NOTE 5 - CAPITAL ASSETS (Continued)**

Property held under capital lease represents the University's Student Housing System, which consists of the following: the Villages Phase I (West) and II (East), completed in 1997 and 1999, respectively; the first (Martin Hall), the second (Pace Hall), and the third (Argo Hall) portions of Phase III completed in 2000, 2001, and 2004, respectively; and the first (Heritage Hall) and the second (President's Hall) portions of Phase IV completed in 2010 and 2012, respectively. The buildings under capital lease are depreciated over the lease term, which is effectively 30 years, and the furniture, fixtures, and equipment are depreciated over their useful life of 5 - 10 years. Amortization of property under capital lease is included in depreciation expense. At June 30, 2019 and 2018, amortization of the property under capital lease totaled \$3,052,548 and \$2,864,997, respectively. See Note 11 for further capital lease disclosure.

During the fiscal year 2018, the Foundation was gifted an estate known as "Timeless Tanglewood" that included land, a building, and furniture and fixtures with carrying values as of June 30, 2018 of \$880,000, \$5,135,697, and \$459,505, respectively. The estate also gifted the Foundation works of art with a total carrying value of \$1,388,420 that are included in other assets on the statement of net position as of June 30, 2019 and 2018. This estate will be recognized as the UWF President's Club at Timeless Tanglewood and will be used to host related events. In addition, the estate will act as a lab for students in the University's Global Hospitality and Tourism Management program to immerse themselves in high-end hospitality entertainment services.

During fiscal year 2019, the Foundation acquired an archaeological property with a carrying value of \$725,000 as of June 30, 2019.

The Foundation routinely evaluates the carrying value of its long-lived assets. The Foundation records impairment losses on long-term assets when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such assets are considered to be impaired, the charge to operations is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

During the year ended June 30, 2016, management decided to take the Southside units, which are part of the University's student housing system, offline. This action was compliant with the covenants in Section 5.14 of all the bond agreements, which allow housing facilities to be abandoned, sold, converted, razed or removed in the event that the facilities are found to be not capable of producing positive net revenues. Management has been considering this action as a portion of these units have been taken offline over the past few years. The Southside units, originally constructed in the 1960's, are the oldest units and maintenance costs have increased each year. It was economically unfeasible to continue to operate these units in their current capacity. In September 2018, the Foundation transferred six of the fifteen units to the University for non-housing use resulting in a loss on transfer of \$300,277 charged to student housing system operations for the year ended June 30, 2019.

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**NOTE 5 - CAPITAL ASSETS (Continued)**

During fiscal year 2019, management determined the remaining nine South Side Housing units to be materially and permanently impaired for housing use with a fair market value of zero. As a result, a loss on impairment equal to the net carrying value of the remaining units or \$417,643 was charged to student housing system operations for the year ended June 30, 2019.

**NOTE 6 - RELATED PARTY TRANSACTIONS**

At June 30, 2019 and 2018, the Foundation and the University jointly determined an amount for the Foundation to deposit with the University to be used to manage and pay expenses for the Foundation's operations. Payroll, other University departments, and program expenses that are funded from the Foundation are paid through the University utilizing these funds. At June 30, 2019 and 2018, the cash balances held by the University were \$387,149 and \$378,796 respectively, and were included in due from University.

In March of 2013, the Foundation entered into a Memorandum of Understanding with the University of West Florida Historic Trust ("WFHT"), another DSO of the University, where WFHT may transfer current cash assets to the Foundation to invest on their behalf. These funds are invested as a Quasi-Endowment with the Foundation and will be part of the overall investment pool subject to spending and investment policies of the Foundation as agreed to in the memorandum. Funds invested by WFHT in the Foundation's investment pool totaled \$1,173,507 and \$1,238,296 at June 30, 2019 and 2018, respectively, and are included in due to WFHT.

On July 1, 2016, the assets of Pensacola Museum of Art ("PMA"), an independent not-for-profit corporation, became part of the University. On that date, the Foundation was gifted a historic building, land, a fine arts collection, furniture and equipment, cash and cash equivalents, a permanent endowment, and other current assets from the dissolving entity totaling approximately \$4.2 million. The historic building and land were transferred to the University and the fine arts collection, furniture and equipment, and all other assets were transferred to WFHT, with the exception of the permanent endowment and cash and cash equivalents. On July 1, 2016, the Foundation entered into a cash and securities agreement with PMA for the furtherance of the PMA mission, as discussed in Note 2. As such, the permanent endowment and cash and cash equivalents remained with the Foundation, which stewards the endowment on behalf of PMA.

As a direct support organization, the Foundation received support from the University in performance of its mission. Salaries and benefits of University employees providing such support total approximately \$686,000 and \$762,000 in 2019 and 2018, respectively, and are included in general and administrative expenses. The University also provides centralized payroll processing and IT support that the Foundation estimates as immaterial to these financial statements.

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**NOTE 7 - BONDS PAYABLE**

The table below presents information about revenue bonds at June 30, 2019, including a schedule of changes for the year then ended:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
\$28,000,000 Dormitory Refunding Revenue Bonds, Series 2016A, due in annual installments of \$720,000 to \$1,780,000, from June 1, 2017 through June 1, 2040 with interest ranging from 3.375% to 5.00% due semiannually, June 1 and December 1	\$ 25,810,000	\$ -	\$ (1,150,000)	\$ 24,660,000	\$ 1,210,000
\$8,635,000 Dormitory Refunding Revenue Bonds, Series 2016B, due in annual installments of \$618,500 to \$830,500, from June 1, 2017 through June 1, 2028 with an interest rate of 2.75% due semiannually, June 1 and December 1	7,383,000	-	(652,000)	6,731,000	670,500
\$13,683,344 Dormitory Refunding Revenue Bonds, Series 2016C, due in annual installments of \$731,544 to \$1,120,171, from June 1, 2017 through June 1, 2031 with an interest rate of 3.10% due semiannually, June 1 and December 1	12,199,803	-	(776,196)	11,423,607	799,871
Bonds payable	45,392,803	-	(2,578,196)	42,814,607	2,680,371
Less unamortized premiums	(927,788)	-	42,172	(885,616)	-
Bonds payable, net of unamortized premiums	<u>\$ 46,320,591</u>	<u>\$ -</u>	<u>\$ (2,620,368)</u>	<u>\$ 43,700,223</u>	<u>\$ 2,680,371</u>

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 7 - BONDS PAYABLE (Continued)**

The table below presents information about revenue bonds at June 30, 2018, including a schedule of changes for the year then ended:

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
\$28,000,000 Dormitory Refunding Revenue Bonds, Series 2016A, due in annual installments of \$720,000 to \$1,780,000, from June 1, 2017 through June 1, 2040 with interest ranging from 3.375% to 5.00% due semiannually, June 1 and December 1	\$ 26,910,000	\$ -	\$ (1,100,000)	\$ 25,810,000	\$ 1,150,000
\$8,635,000 Dormitory Refunding Revenue Bonds, Series 2016B, due in annual installments of \$618,500 to \$830,500, from June 1, 2017 through June 1, 2028 with an interest rate of 2.75% due semiannually, June 1 and December 1	8,016,500	-	(633,500)	7,383,000	652,000
\$13,683,344 Dormitory Refunding Revenue Bonds, Series 2016C, due in annual installments of \$731,544 to \$1,120,171, from June 1, 2017 through June 1, 2031 with an interest rate of 3.10% due semiannually, June 1 and December 1	12,951,800	-	(751,997)	12,199,803	776,196
Bonds payable	47,878,300	-	(2,485,497)	45,392,803	2,578,196
Less unamortized premiums	(969,960)	-	42,172	(927,788)	-
Bonds payable, net of unamortized premiums	<u>\$ 48,848,260</u>	<u>\$ -</u>	<u>\$ (2,527,669)</u>	<u>\$ 46,320,591</u>	<u>\$ 2,578,196</u>

Interest of \$133,393 and \$141,684 was accrued on the bonds as of June 30, 2019 and 2018, respectively.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 - BONDS PAYABLE (Continued)**

Maturities of the revenue bonds are as follows:

<u>For the year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,680,371	\$ 1,600,716	4,281,087
2021	2,780,073	1,496,981	4,277,054
2022	2,878,587	1,389,172	4,267,759
2023	2,996,456	1,277,228	4,273,684
2024	3,099,469	1,160,472	4,259,941
Thereafter	28,379,651	6,601,348	34,980,999
	<u>\$ 42,814,607</u>	<u>\$ 13,525,917</u>	<u>\$ 56,340,524</u>

During fiscal year 2017, the Foundation publicly issued advanced refunding revenue bonds (Series 2016A) of \$28,000,000 to defease the Series 2009 and 2011 outstanding housing revenue bonds for the purpose of consolidation and to achieve debt service coverage savings. The transaction reduced total debt service payments by approximately \$3,723,000, a net present value savings of approximately 9.96% or \$2,684,000. Additionally, Escambia County Housing Finance Authority was removed as sponsor. The Foundation placed the proceeds from the refunding in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. This refunded debt from the earlier issue was retired in full during this fiscal year based on the call date of June 1, 2019.

Simultaneous with the issuance of the Series 2016A, the Series 2010 and 2015 bonds were reissued by private placement to the existing holders under Series 2016B and Series 2016C, respectively. The terms remain substantially the same with the exception of the removal of Escambia County Housing Finance Authority as sponsor.

The bonds are secured by mortgages on the student housing facilities in addition to a pledge of revenues earned from their operation. The bonds require the Foundation to maintain various covenants, including one that requires student housing room rates to be maintained at a level that provides net revenues at least equal to 120% of annual debt service. The debt service ratio for the year ended June 30, 2019 was 124%. The Foundation is not aware of any violations of the covenants at June 30, 2019.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 8 - NET POSITION**

Expendable net position at June 30 are available for the following purposes:

	<u>2019</u>	<u>Restated 2018</u>
Scholarships, student awards and loan funds	\$ 11,479,558	\$ 10,404,763
Faculty support, professorships and chairs	4,993,746	5,015,867
Foundation reserve fund	8,958,855	7,329,767
Programs and other	<u>20,441,421</u>	<u>20,616,665</u>
Total expendable net position	<u>\$ 45,873,580</u>	<u>\$ 43,367,062</u>

Nonexpendable net position consists of endowment fund assets to be held in perpetuity, with only the income to be expended. The following is a summary of nonexpendable net position at June 30, 2019 and 2018, categorized by the purpose for which the income is expendable:

	<u>2019</u>	<u>Restated 2018</u>
Scholarships, student awards and loan funds	\$ 29,264,349	\$ 27,030,026
Faculty support, professorships and chairs	11,763,613	11,763,613
Programs and other	<u>19,652,930</u>	<u>20,594,203</u>
Total nonexpendable net position	<u>\$ 60,680,892</u>	<u>\$ 59,387,842</u>

**NOTE 9 - ENDOWMENTS**

The Foundation's endowments consist of 293 individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As discussed in Note 6, the Foundation acts as a steward of PMA's cultural endowment program. The endowment of \$716,410 does not follow the Foundation's spending policy. All income from the endowment will provide support to PMA's mission.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 9 - ENDOWMENTS (Continued)**

Interpretation of Relevant Law -

The Foundation's governing board with guidance from legal counsel has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("Florida UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Florida UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as a loan from unrestricted net assets. For the period ending June 30, 2019 and 2018, the amount of the loan was \$20,845 and \$16,370, respectively. The loan considers donor-restricted endowments where the fair value of the investments was less than donor stipulations plus amounts available for spending. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the governing board.

Return Objectives and Risk Parameters -

The Foundation's governing board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce the desired minimum rate of return which is equal to the Consumer Price Index ("CPI") plus 400 basis points (4%) for spending, plus an amount for the operating budget on an annualized basis.

The Foundation's investment committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. Research has demonstrated that portfolio risk is best minimized through diversification of assets. The portfolio of funds is structured to maintain prudent levels of diversification. In terms of relative risk, the volatility of the portfolio is expected to be in line with general market conditions.

Strategies Employed for Achieving Objectives -

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

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 9 - ENDOWMENTS (Continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation's spending rate is calculated on a three-year average of the market value of the endowments as of June 30. Spending is awarded for endowments greater than \$25,000 after a one year waiting period. The approved spending rate was 4.00% for fiscal years ended June 30, 2019 and 2018.

The Foundation strives to balance the donor's desire to fund current program, faculty, and scholarship needs with the commitment to preserve over time the donor's gifts to the endowment corpus. The Foundation takes seriously its responsibility to provide prudent fiduciary management. Despite utilizing a well-diversified investment portfolio strategy and the best good faith efforts of its governing board, there will be times when the fair market value of an endowment may fall below the endowment corpus value creating underwater endowments. In the event an endowment falls underwater, the Foundation will use a step down spending allocation method to slow the spending from the endowment. The intent of this policy is to attempt to continue to provide spending to support the scholarships, programs, and faculty as designated by the donor and within the limits of Florida laws, while also allowing the endowment to recover more quickly from economic downturns.

The Foundation's operating budget has generally been two percent (2%) of the three-year average of the market value of the investment portfolio. To accommodate both the needs of the university and keeping with the goal of managing the endowment portfolio for the long term the governing board has fixed the amount at a rate of 1.75% effective fiscal year 2020.

Changes in balances for donor and board restricted endowments by net position class as of June 30, 2019 are as follows:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment Balance, July 1, 2018	\$ 1,665,776	\$ 14,137,621	\$ 59,387,842	\$ 75,191,239
Restricted contributions	10,000	34,673	1,318,052	1,362,725
Investment income	153,450	6,872,379	-	7,025,829
Net depreciation	(71,512)	(2,681,012)	-	(2,752,524)
Other changes	(31,381)	(1,476,321)	(25,002)	(1,532,704)
Amounts appropriated for expenditures	(100,000)	(2,795,258)	-	(2,895,258)
Endowment Balance, June 30, 2019	<u>\$ 1,626,333</u>	<u>\$ 14,092,082</u>	<u>\$ 60,680,892</u>	<u>\$ 76,399,307</u>

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 9 - ENDOWMENTS (Continued)**

Changes in balances for donor and board restricted endowments by net position class as of June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment Balance, July 1, 2017	\$ 1,825,566	\$ 10,906,819	\$ 57,973,627	\$ 70,706,012
Restricted contributions	240	175,672	1,408,116	1,584,028
Investment income	122,255	5,156,400	-	5,278,655
Net appreciation	48,135	1,693,108	-	1,741,243
Other changes	-	(1,188,153)	6,099	(1,182,054)
Amounts appropriated for expenditures	(330,420)	(2,606,225)	-	(2,936,645)
Endowment Balance, June 30, 2018	<u>\$ 1,665,776</u>	<u>\$ 14,137,621</u>	<u>\$ 59,387,842</u>	<u>\$ 75,191,239</u>

The earnings from investments, and expenditures from those earnings, related to nonexpendable balances for the years ended June 30, 2019 and 2018 are classified as expendable balances.

As of June 30, 2019 and 2018, \$2,244,251 and \$2,253,509, respectively, of net assets have been designated as quasi-endowment funds to support the missions of the University. The quasi-endowments resulting from internal designations are classified as unrestricted net position. The quasi-endowments resulting from donor designations are classified as expendable net position.

**NOTE 10 - RETIREMENT PLAN**

Certain Foundation employees working in regularly established positions of the University are covered by the Florida Retirement System (“FRS”), a State-administered cost-sharing, multiple-employer, public employee defined benefit retirement plan (“Plan”). The Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other non-integrated programs. These include the Plan, a Deferred Retirement Option Program (“DROP”), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (“PEORP”). Participating employers include all State departments, counties, district school boards, universities and community colleges. Many municipalities and special districts have elected to be participating employers. Essentially all regular employees of participating employers are eligible.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 10 - RETIREMENT PLAN (Continued)**

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for military service.

The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. The University, as an employer participating in the Plan, paid an amount between 8.47% to 25.41% and 7.92% to 22.71% for 2019 and 2018, respectively, of each individual's salary to the retirement fund. Prior to July of 2011, the Plan was a non-contributory program for the employee. During 2019 and 2018, employees paid an amount of 3.00% into the Plan. Retirement expense for employees participating in this plan was \$61,769 and \$68,371 for the years ended June 30, 2019 and 2018, respectively.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefits payments while continuing employment with an FRS employer. An employer may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. No employees participated in DROP during the years ended June 30, 2019 or 2018.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. Employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. Retirement expenses for employees participating in this plan were \$32,130 and \$31,236 for the years ended June 30, 2019 and 2018, respectively.

Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program ("Program") for eligible State University System faculty and administrators. The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions may make an irrevocable election to participate in the Program rather than the Plan, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant an amount equal to a percentage of the participant's gross monthly compensation. The participant may contribute by salary deduction an amount not to exceed the percentage contributed by the University to the participant's annuity account. Contributions made to the Program for fiscal years ended June 30, 2019 and 2018 totaled \$84,091 and \$71,868, respectively.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 10 - RETIREMENT PLAN (Continued)**

The University has established a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (“Code”), that is a governmental plan as defined under Code Section 414(d), to provide retirement benefits to eligible employees. Retirement expenses paid by the Foundation in 2019 and 2018 for the University President participating in the plan totaled \$58,584 and \$60,106, respectively.

**NOTE 11 - STUDENT HOUSING SYSTEM**

The Foundation has a sublease agreement with the Florida Board of Education of the State of Florida on behalf of the University for use of land and certain existing student housing facilities. The lease requires the Foundation to construct additional student housing facilities and to operate the facilities as a consolidated housing system on behalf of the University.

The Student Housing System consists of seven projects, which are the following: the Villages Phase I (West) and II (East), completed in 1997 and 1999, respectively; the first (Martin Hall), the second (Pace Hall), and the third (Argo Hall) portions of Phase III completed in 2000, 2001, and 2004, respectively; and the first (Heritage Hall) and the second (President’s Hall) portions of Phase IV completed in 2010 and 2012, respectively.

The terms of the sublease require the Foundation to pay the University rents of \$10 per year plus variable rent equal to 100% of the Surplus Earnings from the Student Housing System. Surplus Earnings represent cash flows after payment of the operating costs, debt service and reserves. No variable rent was due for either 2019 or 2018. The sublease agreement was signed in 1998 and ends August 31, 2038. The sublease was amended September 30, 2018 in order to transfer six South Side units back to the University for non-housing use. See Note 5 for further explanation regarding the South Side units.

The Foundation and the University have a management operating agreement outlining the responsibilities of both parties for the operations of the Student Housing System. The current agreement was signed on December 1, 2016 and is effective until all bonds outstanding are paid in full.

## **SUPPLEMENTARY INFORMATION**

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**SCHEDULES OF STUDENT HOUSING SYSTEM REVENUES AND EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>Restated 2018</u>
<b>Revenues:</b>		
Rent	\$ 8,526,791	\$ 8,848,847
Interest	191,244	168,220
Other	262,262	241,032
Total revenues	<u>8,980,297</u>	<u>9,258,099</u>
 <b>Operating Expenses:</b>		
Salaries and wages	1,889,867	2,031,881
Administrative and general	683,151	417,285
Loss on impairment of capital assets	417,643	-
Maintenance and repairs	1,543,183	1,294,057
Insurance	187,282	190,932
Utilities	1,070,151	1,130,193
Interest	1,649,744	1,745,791
Depreciation and amortization	<u>3,052,548</u>	<u>2,864,997</u>
 Total operating expenses	<u>10,493,569</u>	<u>9,675,136</u>
 <b>Deficiency of Revenues Under Expenses</b>	 <u>\$ (1,513,272)</u>	 <u>\$ (417,037)</u>

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**SCHEDULES OF NET POSITION**  
**(EXCLUDING THE STUDENT HOUSING SYSTEM)**  
**JUNE 30, 2019 AND 2018**

**ASSETS**

	2019	Restated 2018
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,290,484	\$ 2,304,203
Contributions receivable, net	469,368	385,076
Other receivables, net	88,774	83,991
Due from University	387,149	378,796
Prepaid expenses	140,917	127,110
Investments	5,772,022	6,790,859
Total current assets	8,148,714	10,070,035
<b>Noncurrent Assets:</b>		
Restricted cash reserves	1,977,590	2,115,784
Contributions receivable, net	3,581,352	2,281,534
Investments	88,783,071	85,058,754
Capital assets, net	8,402,341	7,845,571
Assets held under split interest agreements	3,180,517	3,208,207
Other assets	1,740,547	1,741,780
Total noncurrent assets	107,665,418	102,251,630
<b>Total Assets</b>	<b>\$ 115,814,132</b>	<b>\$ 112,321,665</b>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 828,687	\$ 752,210
<b>Noncurrent Liabilities:</b>		
Liabilities under split-interest agreements	2,159,914	1,604,792
Due to West Florida Historic Trust	1,173,507	1,238,296
Total noncurrent liabilities	3,333,421	2,843,088
<b>Deferred Inflows of Resources:</b>		
Split-interest agreements	904,831	1,487,643
<b>Net Position:</b>		
Net investment in capital assets	8,402,341	7,845,571
Unrestricted	(4,209,620)	(3,361,751)
Restricted -		
Expendable	45,873,580	43,367,062
Nonexpendable	60,680,892	59,387,842
Total net position	110,747,193	107,238,724
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 115,814,132</b>	<b>\$ 112,321,665</b>

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**  
**(With Comparative Totals for 2018)**

	Scholarships	Other Program Services	Student Housing System	Fundraising	General & Administrative	2019 Total	Restated 2018 Total
Bad debt expense	\$ -	\$ 4,736	\$ 14,024	\$ -	\$ -	\$ 18,760	\$ 24,982
Bond expense	-	-	22,622	-	-	22,622	20,756
Depreciation and amortization	-	168,230	3,052,548	-	-	3,220,778	2,949,112
Equipment	-	13,593	5,313	-	-	18,906	59,716
Housing administrative and general	-	-	51,197	-	-	51,197	56,593
Insurance	-	26,195	187,282	-	20,492	233,969	245,336
Interest	-	-	1,649,744	-	-	1,649,744	1,745,791
Investment and consultant fees	-	5,093	-	-	226,318	231,411	267,372
Lobbying	-	30,000	-	-	90,000	120,000	120,000
Maintenance and repairs	-	-	1,543,183	-	-	1,543,183	1,294,057
Miscellaneous	-	252,960	-	9,969	9,219	272,148	265,936
Office	-	199,096	108,140	85,860	49,372	442,468	543,505
Professional development	-	79,924	7,313	15,513	8,974	111,724	122,648
Professional services	-	575,244	6,625	26,203	72,196	680,268	874,942
Public radio program	-	299,866	-	-	-	299,866	285,213
Public relations	-	100,981	-	45,161	12,496	158,638	126,206
Recruitment	-	27,937	482	9	66	28,494	37,895
Rental	-	38,810	-	4,926	5,848	49,584	48,937
Salaries and wages	-	1,631,696	1,889,867	189,356	1,300,520	5,011,439	5,081,230
Scholarships	1,481,751	-	-	-	-	1,481,751	1,947,358
Service charges and other fees	-	73,180	110,702	3,076	(68,482)	118,476	204,928
Loss on impairment of capital assets	-	-	417,643	-	-	417,643	-
Loss on transfer of capital assets	-	-	300,277	-	-	300,277	-
Student and staff support	-	-	-	-	-	-	653
Travel and entertainment	-	402,920	56,456	96,133	44,888	600,397	507,996
University support	-	1,081,956	-	-	-	1,081,956	1,264,710
Utilities	-	-	1,070,151	-	-	1,070,151	1,130,193
	<u>\$ 1,481,751</u>	<u>\$ 5,012,417</u>	<u>\$ 10,493,569</u>	<u>\$ 476,206</u>	<u>\$ 1,771,907</u>	<u>\$ 19,235,850</u>	<u>\$ 19,226,065</u>

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**CHAIRS UNDER EMINENT SCHOLARS PROGRAM**  
**SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES**  
**YEAR ENDED JUNE 30, 2019**  
**(UNAUDITED)**

Name of Gift	Beginning Corpus Balance	Beginning Net Balance	Corpus Contributed During the Year	Net Investment Earnings	Expenditures	Other Expenditures and Transfers	Fund Balance Net of Earnings, Expense & Transfers	Ending Corpus Balance	Ending Total Balance
William Craig Nystul Chair	\$ 1,210,852	\$ 1,584,845	\$ -	\$ 88,301	\$ 5,782	\$ 85,722	\$ 1,581,642	\$ 1,210,852	\$ 1,581,642
John C. Pace, Sr., Business Chair	1,000,000	1,304,186	-	72,664	4,758	70,541	1,301,551	1,000,000	1,301,551
John C. Pace, Sr., Memorial Eminent Scholar	2,644,500	3,526,229	-	196,466	12,866	190,728	3,519,101	2,644,500	3,519,101
John C. Pace, Jr., Distinguished University Professorship	3,966,750	5,289,343	-	294,698	19,298	286,092	5,278,651	3,966,750	5,278,651
Mary Ball Washington Chair	1,320,155	1,622,092	-	90,376	5,918	87,736	1,618,814	1,320,155	1,618,814
<b>Total - Eminent Scholars Program</b>	<b>\$ 10,142,257</b>	<b>\$ 13,326,695</b>	<b>\$ -</b>	<b>\$ 742,505</b>	<b>\$ 48,622</b>	<b>\$ 720,819</b>	<b>\$ 13,299,759</b>	<b>\$ 10,142,257</b>	<b>\$ 13,299,759</b>

I hereby certify that the above is an accurate representation of the activity for this program.

  
Daniel Lucas, Chief Financial Officer

September 23, 2019

Date

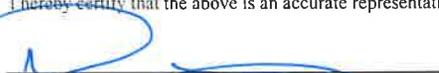
**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**MAJOR GIFTS PROGRAM**  
**SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES**  
**YEAR ENDED JUNE 30, 2019**  
**(UNAUDITED)**

Name of Gift	Beginning	Beginning	Corpus	Investments	Investments	Spending	Fund Balance	Reclass	Loan from	Ending	Ending
	Corpus	Net	Contributed				Net of				
	Balance	Balance	During the	Investment	& Other	Transfers	Earnings, Expenses	Spending	Transfers	Balance	Balance
			Year	Earnings	Expenses		& Transfers				
Alexander Memorial Scholarship	\$ 282,852	\$ 317,962	\$ -	\$ 17,715	\$ 1,160	17,198	\$ 317,319	\$ -	\$ -	\$ 282,852	\$ 317,319
Alfred duPont Foundation Scholarship	395,000	433,732	40,000	28,908	1,678	23,204	477,758	-	-	435,000	477,758
Bank of America	150,000	174,084	-	9,699	635	9,416	173,732	-	-	150,000	173,732
Baptist Hospital Fund	170,539	236,778	-	12,926	846	12,548	236,310	-	-	170,539	236,310
Barnett Bank Endowment	166,692	232,091	-	13,198	864	12,812	231,613	-	-	166,692	231,613
Blue Cross & Blue Shield Nursing Scholarship	155,673	168,946	-	9,413	616	9,137	168,606	-	-	155,673	168,606
C. L. Fountain Family Business Ethics	100,000	111,739	-	6,226	408	6,044	111,513	-	-	100,000	111,513
Cacilda Prado Pace Library Fund	150,346	162,074	-	9,030	591	8,761	161,752	-	-	150,346	161,752
Chadbourne Foundation - PJC/UWF	191,434	221,761	5,000	37,522	905	13,149	250,229	-	-	196,434	250,229
Chadbourne Foundation Business Ethics	300,000	329,797	-	18,375	1,203	17,836	329,133	-	-	300,000	329,133
Charles & Fran Switzer Business Ethics	198,774	219,539	-	12,232	801	11,875	219,095	-	-	198,774	219,095
CHARLOTTE	150,000	191,701	-	10,681	699	10,369	191,314	-	-	150,000	191,314
Dorothy Martin Endowment	150,005	192,076	-	10,702	701	10,389	191,688	-	-	150,005	191,688
E. W. Hopkins Jr., Professorship	175,343	241,742	-	13,469	882	13,075	241,254	-	-	175,343	241,254
Elizabeth R. Woolf	275,412	355,127	-	19,786	1,296	19,208	354,409	-	-	275,412	354,409
Gulf Power Electrical Engineering	152,700	165,592	-	9,226	604	8,955	165,259	-	-	152,700	165,259
Harold E. & Pat Marcus History/Archaeology	150,000	183,418	-	10,219	669	9,921	183,047	-	-	150,000	183,047
Jane & Fred Seligman Endowment	207,251	224,936	-	12,531	821	12,165	224,481	-	-	207,251	224,481
John C. Pace, Jr., Memorial Endowment	8,592,090	11,312,450	-	630,281	41,274	611,873	11,289,584	-	-	8,592,090	11,289,584
John C. Pace, Jr., Memorial Scholarship Fund	7,740,835	10,266,000	-	571,977	37,456	555,272	10,245,249	-	-	7,740,835	10,245,249
John L. Switzer Business Ethics	195,688	215,848	-	12,026	788	11,675	215,411	-	-	195,688	215,411
Katherine C. Pace Memorial Endowment	1,700,000	1,788,560	-	99,651	6,526	96,728	1,784,957	-	-	1,700,000	1,784,957
Kerrigan Daughters' Endowment	340,204	368,704	-	20,543	1,345	19,940	367,962	-	-	340,204	367,962
Levin Fund	251,906	318,685	-	17,754	1,163	17,237	318,039	-	-	251,906	318,039
Mabie Fund	324,014	401,824	1,225	22,502	1,468	21,772	402,311	-	-	325,239	402,311
Matte M. Kelly Music Education Fund	163,443	224,457	-	12,506	819	12,141	224,003	-	-	163,443	224,003
Maygarden Lecture Series	162,810	182,549	250	10,171	666	9,877	182,427	-	-	163,060	182,427
Medical Center Clinic Endowment	164,306	216,225	-	12,047	789	11,695	215,788	-	-	164,306	215,788

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.  
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA  
MAJOR GIFTS PROGRAM  
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES  
YEAR ENDED JUNE 30, 2019  
(UNAUDITED)  
(Continued)

Name of Gift	Beginning	Beginning	Corpus	Investment	Investments	Spending	Fund Balance	Reclass	Loan from	Ending	Ending
	Corpus	Net	Contributed				Net of				
	Balance	Balance	During the	Earnings	& Other	Transfers	Earnings, Expenses	Spending	Unrestricted	Balance	Balance
			Year		Expenses		& Transfers		Transfers		
National Defense Industrial Assoc Sch End	150,000	161,223	-	8,982	588	8,719	160,898	-	-	150,000	160,898
Orville Beckford Scholarship Endowment	150,050	186,314	-	10,381	680	10,077	185,938	-	-	150,050	185,938
Pickens Foundation For Education	162,556	211,812	-	11,801	773	11,446	211,394	-	-	162,556	211,394
Pre Professional Endowment	165,338	242,643	-	13,519	885	13,124	242,153	-	-	165,338	242,153
Raymond C. Dyson Fund I	177,422	237,510	-	13,233	867	12,847	237,029	-	-	177,422	237,029
Raymond C. Dyson Fund II	162,282	213,468	-	11,894	779	11,546	213,037	-	-	162,282	213,037
Rotary Business Ethics	105,000	115,155	-	6,416	420	6,229	114,922	-	-	105,000	114,922
Sacred Heart Allied Health Endowment	163,947	227,887	-	12,697	831	12,326	227,427	-	-	163,947	227,427
Seymour Gitenstein Scholarship Endowment	200,000	181,063	-	10,088	661	13,269	177,221	-	-	200,000	177,221
Switzer Brothers Professorship Endowment	581,859	639,751	-	35,644	2,334	34,599	638,462	-	-	581,859	638,462
T. T. Wentworth, Jr. Historical Center	151,240	152,359	-	8,489	556	8,222	152,070	-	-	151,240	152,070
William D. Smart Seminar Series in Chem. End.	161,579	169,657	-	9,453	619	9,155	169,336	-	-	161,579	169,336
Women's Athletic Trust Fund	169,011	217,516	285	12,156	795	11,762	217,400	-	-	169,296	217,400
<b>Total</b>	<b>\$ 25,657,601</b>	<b>\$ 32,414,755</b>	<b>\$ 46,760</b>	<b>\$ 1,836,069</b>	<b>\$ 118,461</b>	<b>\$ 1,757,593</b>	<b>\$ 32,421,530</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,704,361</b>	<b>\$ 32,421,530</b>

I hereby certify that the above is an accurate representation of the activity for this program.

  
Daniel Lucas, Chief Financial Officer

September 23, 2019

Date

## **COMPLIANCE SECTION**

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2019**

<b>State Grantor</b>		
<b>Pass-through Grantor</b>	CSFA	State
<b>State Program Title</b>	Number	Expenditures
<hr/>		
<b>Florida Department of Education and Commissioner of Education:</b>		
Major Gifts Program	48.074	\$ 792,370
<b>Florida Department of Highway Safety and Motor Vehicles:</b>		
University of West Florida License Plate Project	76.036	<u>\$ 47,400</u>
<b>Total State Financial Assistance</b>		<u><u>\$ 839,770</u></u>

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

**INDEPENDENT AUDITOR’S 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**

To the Board of Directors  
University of West Florida Foundation, 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 University of West Florida Foundation, Inc. (the “Foundation”) (a component unit of the University of West Florida), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation’s basic financial statements, and have issued our report thereon dated September 23, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation’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 the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’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.

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Board of Directors  
University of West Florida Foundation, Inc.

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 the Foundation'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida  
September 23, 2019

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR  
EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY CHAPTER 10.650,  
RULES OF THE AUDITOR GENERAL**

To the Board of Directors  
University of West Florida Foundation, Inc.  
Pensacola, Florida

**Report on Compliance for Each Major State Project**

We have audited University of West Florida Foundation, Inc.’s (the “Foundation’s”) compliance with the types of compliance requirements described in the *Executive Office of the Governor’s State Projects Compliance Supplement* that could have a direct and material effect on the Foundation’s major state project for the year ended June 30, 2019. The Foundation’s major state project is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state project.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for the Foundation’s major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Foundation’s compliance.

Board of Directors  
University of West Florida Foundation, Inc.  
Pensacola, Florida

### **Opinion on Each Major State Project**

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida  
September 23, 2019

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

**A. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the University of West Florida Foundation, Inc.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of the University of West Florida Foundation, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state project are reported in the Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance for the major state project for the University of West Florida Foundation, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major state project for the University of West Florida Foundation, Inc. which are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General.
7. The project tested as major was:  
  
University Major Gifts Program      (CSFA No. 48.074)
8. The threshold for distinguishing Type A and B programs was \$300,000 for the major state projects.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

There were no findings related to the financial statements which are reported in accordance with *Government Auditing Standards*.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECT**

None

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

**D. OTHER ISSUES**

No Summary Schedule of Prior Year Findings is required, because there were no prior year audit findings related to state projects.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

## MANAGEMENT LETTER

To the Board of Directors  
University of West Florida Foundation, Inc.  
Pensacola, Florida

### Report on the Financial Statements

We have audited the financial statements of University of West Florida Foundation, Inc. (the “Foundation”), as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 23, 2019.

### Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.650, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, and Independent Auditor’s Report on Compliance for Each Major State Project and on Internal Control over Compliance Required by Chapter 10.650, Rules of the Auditor General.

### Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Board of Directors  
University of West Florida Foundation, Inc.  
Pensacola, Florida

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida  
September 23, 2019

**UWF Board of Trustees Meeting**  
 Audit & Compliance Committee  
 February 13, 2020

**Issue:** Internal Auditing PCard Audit Reports  
 Quarter 2 Update (October – December 2019)

**Proposed action:** Acceptance

**Purpose**

To provide UWF Senior leadership an overview of audit results for the PCard review completed during the quarter. Our main objective is to report the status of PCard audits and any issues or findings requiring action.

**Background**

Internal Auditing has been charged with auditing PCard holder and approver activity as well as departmental activities and internal controls. The objectives of these audits were to determine if departments complied with UWF PCard policies and procedures, as well as to evaluate the level of understanding of PCard policies among PCard holders and approvers. UWF presently has 383 PCard holders distributed across 143 departments.

**Notable Strengths**

Files were well organized. Staff was well trained in PCard procedures. There was strong separation of duties.

**Results for Quarter 2 (October – December 2019)**

Nine departments encompassing 54 cardholders were examined on a sample basis. Individual reports were distributed to department heads and Procurement & Contracts upon completion of the audits. The totals below show the volume of activity occurring for these nine departments and the amount tested. All reports are available from Internal Auditing.

Number of Departments Reviewed	Number of Cardholders	Number of Transactions Occurring	Number of Transactions Tested	Total PCard Expenditures of Depts.	Total PCard Transaction \$ Tested
9	54	1,991	446 (22%)	\$529,487	\$299,365 (57%)
<b>Audit Opinion for the PCard Audit</b>					
<b>EXCELLENT</b>	<b>GOOD</b>	<b>FAIR</b>	<b>POOR</b>	<b>Total</b>	
9	0	0	0	9	

Departments Audited:		
Continuing Education	Electrical and Computer Eng.	English
Finance and Administration	Financial Aid & Scholarships	Housing & Residence Life
Mechanical Engineering	Registrar	Undergraduate Admissions

**Recommendation:**

Acceptance of the Internal Auditing PCard Reports for the Second Quarter of Fiscal Year 2019-2020.

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees

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**Prepared by:** Elizabeth Mrachek, PCard Auditor, emrachek@uwf.edu, 850-474-2636

**Presenter:** Cindy Talbert, Interim Internal Audit Director, ctalbert@uwf.edu, 850-474-2638

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
February 13, 2020

**Issue:** Florida Small Business Development Center Financial Examination 2018  
**Proposed action:** Informational

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**Background information:**

15 USC 648 § 21(k)(1) of the Small Business Act and Code of Federal Regulations 13, Part 130 require the Small Business Administration's (SBA) Office of Small Business Development Centers to perform a financial and programmatic examination of each Small Business Development Center (SBDC) network every two years. This examination was performed on Program Year 2018.

The SBDC received an on-site financial review by SBA because SBDC programs have to have an on-site review at least once every six years. The previous two financial reviews were limited scope desk reviews. Included in the scope of the review were:

- University of West Florida Lead Center, Pensacola, Florida
- University of West Florida, Pensacola, Florida
- University of Central Florida, Orlando, Florida
- University of South Florida, Tampa, Florida
- Indian River State College, Fort Pierce, Florida

The overall objective of the financial examination was to determine whether the FL-SBDC network had controls in place to ensure: 1) the accuracy of reported financial management data; 2) costs incurred and claimed for reimbursement were reasonable, allowable, and allocable; 3) compliance with applicable laws and regulations, policies, operating procedures as it pertains to management. This was accomplished by reviewing samples of Financial Reporting, Cash Disbursements, Indirect Cost, Program Income, and other financial requirements of the SBDC Program.

**Results:**

Overall, the FL-SBDC is in compliance with the financial objectives of the SBDC Program. There were 3 findings, summarized as follow:

1. A Customer Relationship Management (CRM) software application is utilized by the SBDC and shared with another federal grant. The annual cost of the CRM is more than \$10,000 and is paid by SBDC. The SBA stated that the cost of the application should be partially allocated to the other grant. It was also recommended that an allocation plan be developed and submitted for approval. The cost of the CRM has been allocated to both federal grants in the 2020 budget period.
2. Travel expenses of \$2,810 at two locations (Florida SBDC at University of South Florida and Florida SBDC at Indian River State College) were paid, that benefited another grant. It was recommended that this amount be refunded to the SBA and that financial reports be revised. The Florida SBDC Headquarters Office in coordination with the UWF Research Administration and Engagement Office

addressed this finding by transferring the \$2,810 of expenses in question to a non-program fund (Seed Account). This transaction means SBA did not pay for the \$2,810 of travel for another grant as the expense was not included in the final financial report to SBA.

3. The SBDC's "Notice of Award" authorized them to contribute \$2,188,622 for Indirect Cost. The actual amount contributed to Indirect Cost was \$2,259,345.63, or \$70,723.63 more than the amount budgeted/authorized. The SBA recommended that the SBDC establish controls to ensure that Indirect Cost contributions stay within the budgeted amount. The 2018 mid-year financial report did show excess indirect on the match side of the budget. This was corrected in the 2018 final financial report to SBA. The Florida SBDC Headquarters Office and UWF Research Administration and Engagement office prepare supporting documentation that accompany all SBA financial reports. They will introduce formulas in all supporting spreadsheets to flag when indirect is exceeding the budgeted amount. They will then ensure the financial report does not exceed the budgeted indirect amount or ask SBA for a budget modification to request a budget increase as necessary.

**Recommendation:** Information only

**Implementation:** None

**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees

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**Supporting document:**

FSBDC Small Business Administration Financial Examination Program Year 2018

**Prepared by:** Cindy Talbert, Interim Internal Audit Director, 474-2638, ctalbert@uwf.edu

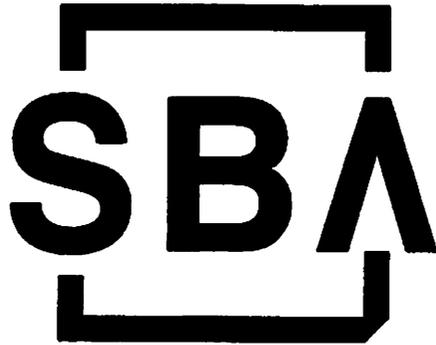
**Presenter:** Cindy Talbert

**Small Business Administration**  
**Office of Entrepreneurial Development**  
**409 Third St, SW 6<sup>th</sup> Floor**  
**Washington DC 20416**

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# **Financial Examination of the Florida Small Business Development Center**

*Program Year 2018*



**U.S. Small Business  
Administration**

**Budget Period: January 1, 2018 to December 31, 2019**  
**Grant Activity Period: January 1, 2018 to June 30, 2019**

**Date:** 12/10/2019  
**Contract Award Number:** SBAHQ-18-B-0059



**U.S. Small Business  
Administration**

December 10, 2019

**To: George Koklanaris, Associate Administrator for Small Business Development Centers**

**Through: Jeanne Crepeau  
Administrative Officer, OED**

The attached Program Year 2018 financial examination was conducted from August 19, 2019 to August 23, 2019, of the Florida Small Business Development Center (FL-SBDC) network, including the lead center in Pensacola, FL, and the Small Business Development Centers at University of West Florida, University of Central Florida, University of South Florida, and Indian River State College. The scope of the financial examination focused on validating the adequacy of the FL-SBDC network financial management procedures to ensure compliance with financial laws, regulations, and policies of the SBDC Program.

The overall objective of the financial examination was to determine whether the FL-SBDC network had controls in place to ensure: (1) the accuracy of the reported financial management data; (2) costs incurred and claimed for reimbursement were reasonable, allowable, and allocable; (3) compliance with applicable laws and regulations, policies, operating procedures as it pertains to financial management. This was accomplished by reviewing samples of Financial Reporting, Cash Disbursements, Indirect Cost, Program Income, and other financial requirements of the SBDC Program.

Overall, FL-SBDC is in compliance with the financial objectives of the SBDC Program. Based on the review of the limited data examined, there are three (3) findings requiring your attention.

Please extend my sincere thanks to the FL-SBDC for the cooperation and courtesies they afforded the Financial Examination Unit during this examination.

A handwritten signature in black ink, appearing to read 'Felicia D. Smith'.

**Felicia D. Smith  
Financial Examiner  
Office of Entrepreneurial Development**

**Executive Summary:**

A Program Year 2018 financial examination was conducted of the Florida Small Business Development Center (FL-SBDC) network, including the Lead center in Pensacola, FL, and the Small Business Development Centers at University of West Florida, University of Central Florida, University of South Florida, and Indian River State College, from August 19, 2019 to August 23, 2019. The overall objectives of the Small Business Administration (SBA) financial examination process are to determine whether the FL-SBDC network has controls in place to ensure: (1) the accuracy of the reported financial and management data; (2) whether costs incurred and claimed for reimbursement were reasonable, allowable, and allocable; (3) compliance with program policies, operating procedures, applicable laws and regulations. The scope of the financial examination focused on the adequacy of the FL-SBDC network management to ensure compliance with policies, laws, and regulations of the SBDC Program. This was accomplished by reviewing FL-SBDC's compliance with the Reporting, Time and Effort, Cash Disbursements, Indirect Cost, and Program Income requirements of the SBDC Program.

FL-SBDC reported Federal expenditures of \$6,193,013.61 for the network, which was matched with \$9,019,360.44 in cash match, \$0.00 of In-Kind Contribution, and \$2,259,345.63 of waived Indirect Costs for the period January 1, 2018 to June 30, 2019.

**Findings:** There are findings to report.

**Finding 1:** The SBDC is using SBDC funds to pay for a non-SBDC expense.

**Finding 2:** SBDC funds were used to benefit the PTAC program.

**Finding 3:** The SBDC exceeded the waived indirect cost, per the SBDC's PY 2018 approved budget. This is a REPEAT finding.

## **I. EXAMINATION PURPOSE**

The overall objective of the SBA financial examination process is to determine whether the SBDC network has controls in place to ensure: (1) the accuracy of the reported financial and management data; (2) whether costs incurred and claimed for reimbursement were reasonable, allowable, and allocable; (3) compliance with program policies, operating procedures, applicable laws and regulations.

Pursuant to 15 USC 648 § 21(k) (1) of the Small Business Act (the Act) and the Code of Federal Regulations (CFR) 13, Part 130 which require the Office of Small Business Development Centers (OSBDC) to perform a financial and programmatic examination of each SBDC network every two years.

This examination was conducted from August 19, 2019 to August 23, 2019, and covered the SBDC operations for Program Year 2018. Please note that the FL-SBDC is operating under a two-year budget. The budget period is from January 1, 2018 to December 31, 2019. Our examination focused on the financial activities of the FL-SBDC. The Centers included in our review were as follows:

- University of West Florida Lead Center, Pensacola, FL
- University of West Florida, Pensacola, FL
- University of Central Florida, Orlando, FL
- University of South Florida, Tampa, FL
- Indian River State College, Fort Pierce, FL

The findings and opinions noted in this report pertain solely to the centers and samples selected. This examination does not substitute for audits required of Federal grantees under the Single Audit Act of 1984 or Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Named users of this report are the SBA, America's Small Business Development Centers (ASBDC) Accreditation Committee, University of West Florida, and the FL-SBDC network. This report is not intended as a basis for reliance or action by any other users.

## **II. CORRECTIVE ACTIONS RESULTING FROM PREVIOUS EXAMINATION**

Summary of corrective actions is located in Attachment 2.

### **III. RESULTS OF CURRENT EXAMINATION**

#### **Reporting**

The examination covered a review of required financial reports, including Federal Financial Report SF-425 and Program Income Report SBA Form 2113.

No Finding - The required financial reports have been submitted on time, and all information in the reports was complete and accurate.

#### **Service Center Monitoring**

The examination included a review of service center financial monitoring reports which covered periodic reviews by the lead center for the selected service centers.

No Finding – The reports were comprehensive and covered all relevant financial areas. The lead center is sufficiently monitoring financial activities of the FL-SBDC network.

#### **Time & Effort**

The examination included a review of time and effort for employees at the lead center and selected service centers. The review included samples of timesheets and certifications for employees working on the SBDC program.

No Finding – Time and effort for employees of the FL-SBDC network appeared to be reported, tracked, and certified correctly.

**Examiner's comments:** As you know, State Directors and Regional Directors (in California and Texas) can allot 25% of their time to other grant projects, but they still must dedicate 75% of their time to the functions of the SBA SBDC Cooperative Agreement (See 2018 OSBDC Program Announcement, section 8.2.16). In many cases, SBDCs that managed multiple grants projects (PTACs, MEP etc) are not tracking or explaining the methodology used to support the percentages for all employees dedicating time to other grant projects managed by the SBDC. We are somewhat confident that the consultants/advisors' work activities are being properly monitored as their performance is recorded and tracked in the SBDC's designated CRM system (e.g. Center Dynamic or Neoserra). However, we are uncertain about the actual time the State/Regional Directors' and their support staff dedicate to other projects as their time is usually not reported on their time and effort report and/or recorded and tracked in the SBDC's CRM system. OSBDC plans to provide more guidance concerning this issue in the coming months to ensure SBDCs are complying with time and effort reporting requirements.

#### **Cash Disbursements (Federal and Matching)**

The examination included a review of transaction activity from the lead center and selected service centers' general ledger accounts. Invoices and support documentation, together with sample expenditures for personnel salaries and direct operating costs were used.

The Federal Financial Report, SF-425, was supported by a crosswalk spreadsheet maintained by the lead center. The lead center reported Federal expenditures of \$6,193,013.61 for the network, which was matched with \$9,019,360.44 in cash match.

No Finding - Ledgers properly support all requests for reimbursement submitted by the service centers to the lead center. The examination included a test of 129 transactions.

- 43 transactions at the Lead Center
- 25 transactions at University of West Florida SBDC
- 14 transactions at University of Central Florida SBDC
- 22 transactions at University of South Florida SBDC
- 25 transactions at Indian River State College SBDC

All tested transactions were supported by ledgers and were determined to be allowable expenses.

**Finding 1:** The SBDC is using SBA funds to pay for a non-SBDC expense. The SBDC manages multiple grant projects including the PTAC program. The SBDC uses the same CRM system to track the performance data of the SBDC and PTAC programs. The SBDC incurs the full cost of the annual license fee. The annual license fee is more than \$10,000 a year. PTAC funds should be allocated to help pay for the annual license fee.

*2 CFR, Section 200.303 (a): "The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

*2018 SBDC Program Announcement, 4.0 Section IV, Application and Submission Information, 4.1.1.1, Funds Managed Outside the Cooperative Agreement (pp 12-13)... The SBDC must maintain an updated list of funding sources and amounts for each source of funds received by the SBDC Network including grants, contracts and contributions. In addition, for each source of funds, documentation regarding the name and phone number of the donor/contractor/grantor, the amount of funding, the intended purpose and any requirements, stipulations or deliverable must be maintained and made available during the biennial financial examination process. SBDC's managing other small business programs outside the SBA Cooperative Agreement must maintain separate accounting/financial records to ensure a clear audit trail for the funds provided under the Cooperative Agreement.*

**Recommendation 1:**

- a) The SBDC should make improvements to its internal controls to ensure that the SBDC does not use SBDC funds to financially support the other grant projects that they manage.
- b) The SBDC submitted an allocation plan to show how the SBDC intends to split the CRM annual license between the SBDC and PTAC programs. A copy of the plan will be submitted to OSBDC for final review and approval.

**Finding 2:** Two Service Centers used federal funds to benefit the PTAC program. The total amount of these expenses was \$2,810.00. Therefore, \$2,810 is being disallowed. Because federal funds were used to pay for these expenses, the SBDC will need to reimburse SBA.

<b>Date</b>	<b>Description</b>	<b>Amt</b>	<b>Center</b>	<b>Ledger</b>
7/13/2018	DLA PTAC - Krymaski, K.	\$ 294.96	University of South Florida	Federal
7/13/2018	DLA PTAC - Krymaski, K.	\$ 36.00	University of South Florida	Federal
7/13/2018	DLA PTAC - Krymaski, K.	\$ 36.00	University of South Florida	Federal
7/13/2018	DLA PTAC - Krymaski, K.	\$ 36.00	University of South Florida	Federal
7/13/2018	DLA PTAC - Krymaski, K.	\$ 210.33	University of South Florida	Federal
7/13/2018	DLA PTAC - Krymaski, K.	\$ 72.00	University of South Florida	Federal
7/13/2018	DLA PTAC - Krymaski, K.	\$ 11.00	University of South Florida	Federal
11/30/2018	Professional	\$ 2,113.71	Indian River State College	Federal
<b>Total</b>		<b>\$ 2,810.00</b>		

*2 CFR, Section 200.303 (a): "The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

*2018 SBDC Program Announcement, 4.0 Section IV, Application and Submission Information, 4.1.1.1, Funds Managed Outside the Cooperative Agreement (pp 12-13)... The SBDC must maintain an updated list of funding sources and amounts for each source of funds received by the SBDC Network including grants, contracts and contributions. In addition, for each source of funds, documentation regarding the name and phone number of the donor/contractor/grantor, the amount of funding, the intended purpose and any requirements, stipulations or deliverable must be maintained and made available during the biennial financial examination process. SBDC's managing other small business programs outside the SBA Cooperative Agreement must maintain separate accounting/financial records to ensure a clear audit trail for the funds provided under the Cooperative Agreement.*

**Recommendation 2:**

- a) The SBDC should make improvements to its internal controls to ensure that SBDC funds are used to benefit the SBDC program and that the Service Centers do not use SBDC funds to financially support the other grant projects that they manage.
- b) The SBDC should remit \$2,810 to SBA for the expenses being disallowed.
- c) The SBDC should revise the SF 425 to reduce federal funds in the amount of \$2,810.
- d) The SBDC should instruct the two Service Centers to remove the disallowed expenses from their general ledgers.

### **Indirect Costs**

The examiner reviewed all Indirect Cost agreements of the FL-SBDC network. The FL-SBDC network Federal Financial Report, SF-425, reported a total of \$3,332,034.39 for Indirect Costs. A detailed breakout of Indirect Cost shows the amount reimbursed by Federal funds for the period totaled \$1,072,688.76 with \$2,259,345.63 reported as waived indirect non-cash matching costs.

**Finding 3** - The Examiner's review of Indirect Cost agreements for the FL-SBDC network found that Indirect Costs appeared to be calculated correctly and in accordance with documented agreements. However, the SBDC exceeded the Waived Indirect Cost, per the SBDC's PY 2018 approved budget. **This is a REPEAT Finding.**

According to the SBDC's Notice of Award (NOA), the SBDC is authorized to claim waived indirect cost (WIDC) up to \$2,188,622. The SBDC reported WIDC of \$2,259,345.63 as of January 1, 2018 to June 30, 2019, which is \$70,723.63 more than the authorized amount of WIDC per the SBDC's NOA. Although the SBDC's budget period closes on December 31, 2019, the SBDC is required to comply with the terms and conditions of the Notice of Award at all times. Moreover, the SBDC should have either provided written notice to its OSBDC Program Manager (Ms. Edna Greene) about exceeding its WIDC when it submitted its quarterly report (as of June 30, 2019) or submitted a request to increase its WIDC amount. It is important to note that this is the third time SBA has had to communicate with the SBDC about monitoring its WIDC to avoid exceeding its authorized WIDC amount (See below).

1. The SBDC exceeded its WIDC for PY 2016
2. OSBDC states that the SBDC exceeded its WIDC for PY 2017
3. As of June 30, 2019, the SBDC exceeded its WIDC for PY 2018

*2018 SBDC Terms and Conditions (Section 12 (h) – Actions Requiring Prior Approval, page 12-13), states that before taking any of the following actions, you must obtain approval from SBA: (h) Changing the amount claimed for indirect costs in excess of the approved budget (Federal and matching funds).*

### **Recommendation 3:**

- a) The SBDC should submit a revised SF-425 (quarterly report as of June 30, 2019) with the adjustments indicated on Attachment 1.
- b) The SBDC should implement polices to ensure the Lead Center and all Service Centers remain within the authorized amount for WIDC.
- c) The Lead Center's Host should provide a written explanation on how the Host intends to monitor the SBDC Network's progress in remaining within the authorized amount for WIDC.

### **In-Kind Match**

The examination included a review of in-kind matching funds. The FL-SBDC network reported \$0.00 of In-Kind Match contributions for the period January 1, 2018 to December 31, 2018.

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No Finding – Although FL-SBDC was authorized to use in-kind donations up to \$427,224.00 as matching funds, the FL-SBDC network did not claim any in-kind donations during this period.

**Program Income**

The examination included a review of program income activity for the network. SBA form 2113 (Program Income Report) and program income ledgers were reviewed. The examiner also tested the ending program income balance to ensure that it is within the acceptable limit.

The lead center reported the following for network program income for the period from January 1, 2018 to December 31, 2018.

<b>Type</b>	<b>Amount</b>
<b>Network Opening Balance</b>	<b>\$ 977,435.42</b>
<b>Revenue</b>	<b>\$ 317,044.44</b>
<b>Expenses</b>	<b>\$ 148,334.01</b>
<b>Network Closing Balance</b>	<b>\$ 1,146,145.85</b>

A review of the Program Income ending balance shows that the FL-SBDC is within the 25% policy that requires SBDCs to expend any Program Income exceeding 25% of their total budget. This was tested by the examiner and determined to be within the limits as established in the Program Announcement and the Notice of Award and therefore the FL-SBDC is in compliance with this requirement.

No Finding - Program Income activity from the network was reported on SBA Form 2113 and further supported by the lead center's internal schedule or spreadsheet of network Program Income. The examination included a review of selected transactions with no discrepancies.

# Florida Small Business Development Center

SBAHQ-18-B-0059

## RESULTS OF CURRENT EXAMINATION

Results of our Examination of Cost Claimed on the Federal Financial Report (SF-425)  
for the period January 1, 2018 through June 30, 2019.

Item Number	Item Description	Claimed	Examiner Adjustment	Adjusted Amount	Ref. Page
<b>Federal Cash</b>					
10a	Cash Receipts	\$7,329,110.00	\$0.00	\$7,329,110.00	
10b	Cash Disbursements	\$7,265,702.37	\$0.00	\$7,265,702.37	
10c	Cash on Hand (a minus b)	\$63,407.63	\$0.00	\$63,407.63	
10d	Total Federal Fund Authorized	\$7,329,110.00	\$0.00	\$7,329,110.00	
10e	Federal Share of Expenditures	\$7,329,110.00	(\$2,810.00)	\$7,236,300.00	
10f	Federal Share of Unliquidated Obligations	\$0.00	\$0.00	\$0.00	
10g	Total Federal Share (sum of lines e and f)	\$7,329,110.00	(\$2,810.00)	\$7,236,300.00	
10h	Unobligated Balance of Federal Funds (line d minus g)	\$0.00	\$0.00	\$2,810.00	
<b>Recipient Share:</b>					
10i	Total Recipient Share Required	\$7,329,110.00	(\$2,810.00)	\$7,236,300.00	
10j	Recipient Share of Expenditures	10,916,015.65	(\$0.00)	\$10,916,015.65	
10k	Remaining Recipient Share to be Provided (line i minus j)	(\$3,586,906.65)	(\$0.00)	(\$3,589,715.65)	
<b>Program Income:</b>					
10l	Total Federal Program Income Earned	\$0.00	\$0.00	\$0.00	
10m	Program Income Expended in Accordance with the Deduction Alternative	\$0.00	\$0.00	\$0.00	
10n	Program Income Expended in Accordance with the Addition Alternative	\$0.00	\$0.00	\$0.00	
10o	Unexpended Program Income (line l minus line m or line n)	\$0.00	\$0.00	\$0.00	

## **SUMMARY OF RESULTS**

Based on the limited testing of the data available from the lead center and the selected service centers, it was determined that the FL-SBDC network:

1. Is in compliance with reporting requirements;
2. Is in compliance with monitoring of the financial activities of its service centers;
3. Is in compliance with time & effort reporting;
4. Is in compliance with monitoring of cash disbursement requirements; except the findings discussed on pages 6 and 7.
5. Is in compliance with indirect cost requirements; except the finding on page 8.
6. Is in compliance with in-kind match requirements;
7. Is in compliance with program income requirements.

## **Attachment 2**

### **Summary of Corrective Actions from Previous Report**

**Finding 1:** The amount of waived indirect claimed as match, \$2,001,753.42 exceeded the amount of non-Federal funds authorized for indirect cost on the Notice of Award, \$1,917,178.00. \$84,575.42 is disallowed as an expense of non-Federal Funds.

**Recommendation 1:** FL-SBDC submits a revised SF-425 with the adjustments indicated on page 7.

**Recommendation 2:** FL-SBDC review the Notice of Award and implement polices to ensure they remain within the authorized amount for waived indirect costs.

**Response –** Although this examination includes grant activities for PY 2018, this issue has not been resolved. (See Finding 3).

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
February 13, 2020

**Issue:** Internal Auditing and Management Consulting- Update on Activities  
**Proposed action:** Informational

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To provide the Committee with an overview of activities within Internal Auditing & Management Consulting.

1. Status of audits in process
2. Status of advisory/consulting activities
3. Miscellaneous items

**Recommendation:** Information only  
**Implementation:** None  
**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees

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**Prepared by:** Cindy Talbert, Interim Internal Audit Director, 474-2638, ctalbert@uwf.edu  
**Presenter:** Cindy Talbert

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
February 13, 2020

**Issue:** Office of Compliance & Ethics - Update on Activities  
**Proposed action:** Informational

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**Background Information:**

To provide the Audit and Compliance Committee with an overview of activities.

1. Office of Compliance and Ethics update on activities

**Recommendation:** Information only  
**Implementation:** None  
**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees

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**Prepared by:** Matthew Packard, 857-6070, mpackard@uwf.edu  
**Presenter:** Matthew Packard