



AGENDA

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

**Audit & Operations Committee Meeting
March 3, 2015 - 9:00 a.m.**

**University of West Florida Conference Center
11000 University Parkway, Pensacola, FL 32514**

Call to Order/Roll Call. Garrett Walton, Committee Member

Greeting. Garrett Walton

Action Item(s):

- 1. Acceptance of Internal Auditing PCard Audit Reports - 2nd Quarter**
- 2. Approval of Revised Work Plan for 2014/15 and 2015/16 for UWF Internal Auditing and Management Consulting**
- 3. Approval of UWF Annual Financial Report for 2013-2014**
- 4. Adoption of Revised UWF Human Resources Policy HR-11.03-02/15 Introduction/General Provisions Governing Personnel Matters**
- 5. Adoption of Revised UWF Human Resources Policy HR-12.02-02/15 Broadband Classification and Compensation System**

Information Item(s):

- 1. External Audits: WUWF-FM; Intercollegiate Athletics; and Florida Institute for Human and Machine Cognition**
- 2. Internal Auditing Update on Activities**

Other Committee Business:

Adjournment

UWF Board of Trustees Meeting
 Audit & Operations Committee
 March 3, 2015

Issue: Internal Auditing PCard Audit Reports
 Quarter 2 Update (October 2014 – December 2014)
Proposed action: Acceptance

Purpose

To provide UWF Senior leadership a short, clear overview of the PCard audits completed during the quarter and highlight results. 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 429 PCard holders distributed across 141 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 2014)

Twelve (12) departments¹ encompassing 30 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 twelve 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 Transactions Tested
12	30	1,516	299	\$456,729	\$183,451
Audit Opinion for the PCard Audit ¹					
EXCELLENT	GOOD	FAIR	POOR	Total	
6	3	3	0	12	

¹ Departments audited (listed by audit opinion): **Excellent** – Anthropology, Educational Research, Marketing and Economics, Registrar, Accounting and Finance, OIEP; **Good** – Teacher Education, Electrical and Computer Engineering, OEDIA; **Fair** – Music, Theatre, Computer Science; **Poor** – None.

Most Common Findings for Quarter 2 (October - December 2014)

1. The JP Morgan bank statements were not reviewed during the reconciliation process.
2. The Cardholder did not consistently sign the transaction documentation.

Recommendation:

Acceptance of the Internal Auditing PCard Reports for the Second Quarter of Fiscal Year 2014-2015.

Implementation:

For PCard audit reports issued during the second quarter (October - December 2014), management will implement corrective actions to be completed in fiscal year 2014/15. Internal Auditing will follow up to determine if adequate corrective actions occurred.

Remediation Plan for Communication Arts: A PCard audit was performed on Communication Arts and the report was issued on January 21, 2015 with a "Poor" rating. This report will be included in the summary for the quarter ending March 31, 2015. A remediation plan must be submitted to BOT Audit & Operations Committee for audits with a Poor rating. Chair Kurt Wise submitted this plan (attached). The plan satisfactorily addresses the issues noted in the PCard audit report. Dr. Wise's plan indicates that all resolutions were implemented as of February 2, 2015.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Supporting Documents:

PCard Audit Report – Communication Arts

Remediation Plan – Communication Arts

Prepared by: Cindy Talbert, Interim Director, Internal Auditing, ctalbert@uwf.edu, 850-474-2637.

Presenter: Cindy Talbert, Interim Director, Internal Auditing

Given the nature of the risks involved in the achievement of the unit's objectives, controls reviewed were less than adequate. The department should strive to ensure compliance with applicable PCard regulations, policies and procedures and good business practice.

AUDIT OPINION:
POOR

Audit Objective and Scope

To determine whether the Department is conducting its PCard financial and business processes under an adequate system of internal control, as required by University policy and guidelines and good business practice.

We reviewed the key internal controls over PCard financial and operational activities in accordance with UWF policies and procedures including:

- Safeguarding of PCard account information;
- Independent management, supervisory, and approver reviews of PCard activity;
- Properly documented transactions;
- Timely approvals within the Banner system;
- Monthly reconciliations; and
- PCard file and organization management.

Procedures and Statistics

We reviewed a judgmental sample of transactions for the period January 1, 2014 to October 31, 2014 and we interviewed the Cardholders, Account and Business Managers, and Reconcilers regarding PCard procedures in the Department.

AUDIT POPULATION	AUDIT SAMPLE
3 cardholders, 111 transactions, totaling \$59,437.40	41% of Audit Population (45 transactions and \$45,519.60~77% of total dollars spent), including 11 transactions over \$999.00

Internal Control Strengths and Weaknesses

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Files were organized. • Staff was trained in PCard procedures. 	

Findings

1. JP Morgan bank statements were not generated in some months, and in others the Banner PCard Report was not generated; therefore, reconciliations were not performed properly. In addition, there were no Department Head signatures on 4 of the monthly reconciliations.
2. The Approver did not sign 7 out of the 45 invoices tested.
3. PCard documentation was transferred back to the Cardholder for filing, rather than being retained by the Reconciler.

Recommendations for Corrective Action

1. Ensure the JP Morgan bank statement is generated each month by the Cardholder; that the Reconciler generates the Banner PCard Report for use in reconciliation of the two reports; and that the reconciliation is signed by the Department Head.
2. Ensure that every invoice/receipt submitted by the Cardholder is signed by the Approver.
3. Ensure that the Approver or Reconciler retain all PCard documentation in their own files.

Expected Implementation of Corrective Action: February 10, 2015.

Use of Report

Internal Auditing & Management Consulting (IAMC) is a department of the University of West Florida. This report is intended solely for the internal use of the University and the UWF Board of Trustees. It is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

AUDITEE MANAGEMENT TEAM

Dr. Kurt Wise, Department Chair
Bernita Bryant, Office Administrator

INTERNAL AUDITING TEAM

Mark Helmus, PCard Auditor



Cynthia Talbert, CPA
Interim Internal Audit Director

The audit was conducted according to the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

February 5, 2015

To: C. Talbert, Interim Internal Audit Director
M. Helmus, PCard Auditor ✓

From: ^{KW} K. Wise, Chair, Communication Arts

Re: PCard Audit

Cc: S. Brown, Dean, CASSH
M. Doyle, Business Manager, CASSH
G. Ellenberg, Vice Provost

Your memo of January 21, 2015 called for a remediation plan by February 10, 2015. I met on January 28, 2015 with Office Administrator B. Bryant, Department Advisor J. Southard, and Assistant Professor Dr. C. Fenner. (J. Southard serves as reconciler/approver for C. Fenner's PCard as well as B. Bryant's PCard, and B. Bryant serves as reconciler/approver for J. Southard's PCard.) At the meeting, changes were adopted to comply with the January 21, 2015 memo. The changes were instituted on February 2, 2015.

- All PCard holders have initiated two reminders on their work computers, one on the 17th of the month and one on the 20th of the month. This will ensure that monthly reconciliations are completed within 20 days of the end of the month.
- Bank statements are now generated each month by the Cardholders.
- Reconcilers generate Banner PCard Reports for use in reconciliation each month.
- Approvers now sign all invoices.
- All reconciliations are now reviewed, signed, and dated by the reconciler and the Department Chair.
- All PCard documentation is now housed in the office of the reconciler. Each reconciler is aware files should be maintained for five years.

If you have any questions, please feel free to contact me at kwise@uwf.edu.

UWF Board of Trustees Meeting
Audit and Operations Committee
March 3, 2015

Issue: Revised 2014/15 – 2015/16 Work Plan for UWF Internal Auditing & Management Consulting

Proposed action: Approval

Background information:

At the May 23, 2014 BOT Audit and Operations Committee meeting, the IAMC Work Plan for 2014/15 and 2015/16 was presented and approved. In November 2014, IAMC Associate Vice President Betsy Bowers became the Interim Vice President for Business, Finance, and Facilities. A nationwide search for a permanent Vice President for Administrative Services/CFO has begun with anticipated starting date for the new Vice President of July 1, 2015. It is estimated that Ms. Bowers will not be able to return to her position as the AVP IAMC until July 2015. Internal Auditor III Cynthia Talbert accepted the position of Interim Internal Audit Director. This change left the department with only one full-time auditor. In addition, three of the scheduled audits should be postponed due to conflicts with current activities, and the topic of a fourth audit now seems unnecessary.

Our proposal for a revised Work Plan is as follows:

1. Seven Audits: Subrecipient Monitoring, Performance Metrics for Board of Governors, Athletic Eligibility (all completed), Vehicle Management and Vendor Master File (both in progress), IT General Controls (Banner Student Module), Lab Safety and Security. Audits removed include: Conflict of Interest, Enrollment Affairs, Grade Integrity, and Dependent Eligibility.
2. Conduct various management advisory (consulting) services.
3. Follow-up of Federal, state and internal audit findings.
4. Continued participation in the Risk & Compliance Council and the evaluation of rules, regulations, policies, and procedures.

Recommendation: Approval of Revised Work Plan for Internal Auditing & Management Consulting

Implementation Plan: Audits and management advisory services will be conducted throughout fiscal year 2014/15-2015/16.

Fiscal Implications: Fiduciary responsibility and oversight of the UWF Board of Trustees will be enhanced by the audits and other activities of the UWF Internal Auditing & Management Consulting.

Supporting document:

Work Plan for Internal Auditing & Management Consulting for Fiscal Years 2014/15 and 2015/16

Prepared by: Cynthia Talbert, Interim Internal Audit Director, ctalbert@uwf.edu

Presenter: Cynthia Talbert, Interim Internal Audit Director

**UWF Internal Auditing & Management Consulting
Revised Work Plan for 2014/15 – 2015/16**

Activity	2014/15	2015/16
AUDITS		
Athletic Eligibility Process	X	
IT General Controls (Banner System)	X	
Lab Safety and Security	X	
Performance Metrics for Board of Governors	X	
Subrecipient Monitoring	X	
Vehicle Management	X	
Vendor Master Files	X	
PCard Audits (approximately 30 departments per year)	Ongoing	Ongoing
Housing –Departmental Audit		X
Signatory Authority/Delegation of Authority		X
Sole Source Contracts		X
Student Loans –Non Federal		X
Temporary Employment		X
Total Internal Audits Planned	7	5
ACCOUNTABILITY ACTIVITIES		
Follow Up of Audit Findings: US ED Federal audit, Auditor General, and UWF Internal Auditing	X	X
Performance Metrics	X	X
MANAGEMENT ADVISORY SERVICES		
Evaluation, compliance of rules, regulations, policies, and procedures	X	X
Risk & Compliance Council	X	X
SACSCOC Reaccreditation work groups	X	
Miscellaneous Management Advisory Service projects	X	X
INVESTIGATIONS		
Campus Referred Reviews and Whistleblower Complaints	X	X
Note: <i>No total is given for Management Advisory Services and Investigations because they are not quantifiable as to the volume and magnitude of each. These are unpredictable areas.</i>		

APPROVED

Dr. Judy Bense, President UWF

Susan O'Connor, Chairman Audit & Operations Committee
UWF Board of Trustees

UWF Board of Trustees Meeting
Audit and Operations Committee
March 3, 2015

Issue: University of West Florida Annual Financial Report for 2013-2014

Proposed action: Approval

Background information:

On November 20, 2014, the State of Florida Auditor General released the report on the audit of the financial statements of the University of West Florida for the fiscal year ended June 30, 2014. The Executive Summary included in the audit report contains the following:

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards issued by the Comptroller General of the United States.

Recommendation: Approve the University's audited financial statements, notes, and management's discussion and analysis as published in the Annual Financial Report.

Implementation Plan: None needed.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees for the University of West Florida

Supporting documents:

UWF Financial Audit, Report No. 2015-046, (39 pages)

Prepared by: Ms. Colleen Asmus, Associate VP, Finance, 850-474-2642, casmus@uwf.edu

Presenter: Ms. Colleen Asmus, Associate VP, Finance

UNIVERSITY OF WEST FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

Lewis Bear, Jr., Chair
John M. "Mort" O'Sullivan, Vice Chair
David E. Cleveland
Dr. Pamela J. Dana
Ethan B. Friedland from 4-13-14 (1)
Christopher J. Hill to 4-12-14 (1)
Dr. Richard M. Hough from 7-15-13 (2)
Robert L. Jones
Suzanne Lewis
Rev. Lu Timothy May
Susan K. O'Connor
Jayprakash "Jay" S. Patel
Dr. Christopher M. Pomory to 7-14-13 (2)
Bentina C. Terry
Garrett W. Walton

Dr. Judith A. Bense, President

Notes: (1) Student body president.
(2) Faculty Senate Chair.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Barbara J. Sturdivant, CPA, and the audit was supervised by James W. Kiedinger, Jr., CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**UNIVERSITY OF WEST FLORIDA
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether the University of West Florida and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of West Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University'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 opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of West Florida and of its aggregate discretely presented component units as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the University of West Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **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**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the 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 University of West Florida's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
November 20, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2014, and June 30, 2013.

FINANCIAL HIGHLIGHTS

The University’s assets totaled \$268.7 million at June 30, 2014. This balance reflects a \$23 million, or 9.3 percent, increase as compared to the 2012-13 fiscal year due to a significant increase in State noncapital appropriations, a portion of which was designed to fund initiatives that were incomplete at the end of the fiscal year, an additional influx of funds received under a grant from the State Economic Development Initiative (SEDI) in advance of the completion of performance criteria, and an increase in amounts due from the State for capital projects. The unearned revenue associated with the SEDI grant is the leading cause of an increase in liabilities over the preceding fiscal year of \$13.7 million, or 27.5 percent, with liabilities totaling \$63.5 million at June 30, 2014, as compared to \$49.8 million at June 30, 2013. As total assets increased significantly more than total liabilities, the University’s net position increased by \$9.3 million, resulting in a year-end balance of \$205.2 million.

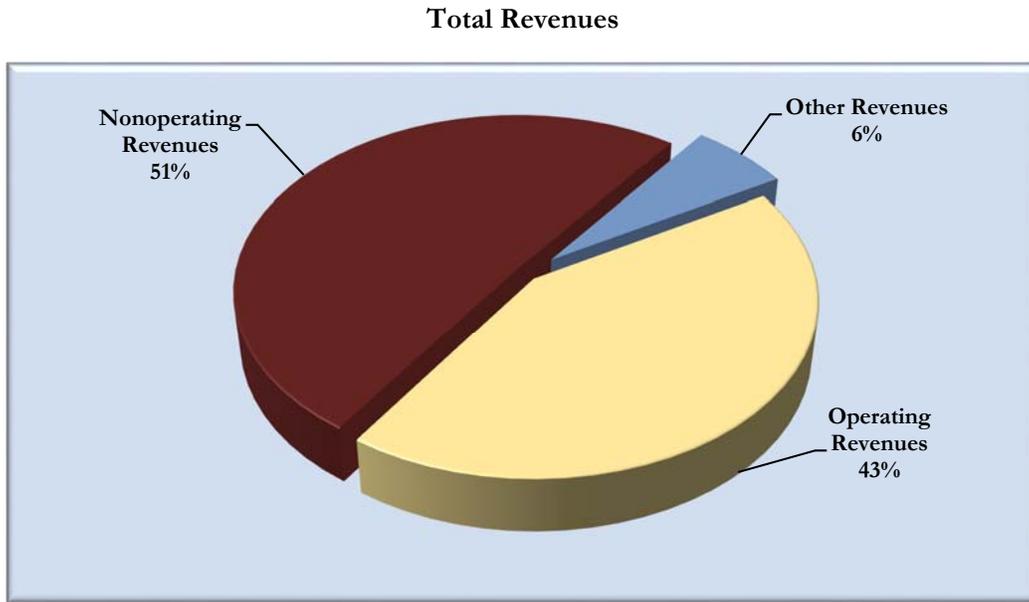
The University’s operating revenues totaled \$84.7 million for the 2013-14 fiscal year, representing a 0.4 percent increase over the 2012-13 fiscal year due mainly to a modest increase in student tuition and fees. Operating expenses totaled \$188.2 million for the 2013-14 fiscal year, representing an increase of 9.3 percent over the 2012-13 fiscal year due mainly to increases in employee compensation and benefits.

Net position represents the residual interest in the University’s assets after deducting liabilities. The University’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2013-14 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University’s financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- University of West Florida Foundation, Inc.
- West Florida Historic Preservation, Inc.
- UWF Business Enterprises, Inc.

Based upon the application of the criteria for determining component units, these component units are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units’ separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports. The University of West Florida Foundation, Inc., reports under Financial Accounting Board Standards and, as such, does not include an MD&A in its audit report.

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets less liabilities equal net position, which is one indicator of the University’s current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University’s financial condition.

The following summarizes the University's assets, liabilities, and net position at June 30:

Condensed Statement of Net Position at June 30
(In Thousands)

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets	\$ 118,354	\$ 91,370
Capital Assets, Net	145,157	149,879
Other Noncurrent Assets	<u>5,158</u>	<u>4,460</u>
Total Assets	<u>268,669</u>	<u>245,709</u>
Liabilities		
Current Liabilities	14,816	10,903
Noncurrent Liabilities	<u>48,650</u>	<u>38,888</u>
Total Liabilities	<u>63,466</u>	<u>49,791</u>
Net Position		
Net Investment in Capital Assets	145,157	149,879
Restricted	12,798	3,864
Unrestricted	<u>47,248</u>	<u>42,175</u>
Total Net Position	<u>\$ 205,203</u>	<u>\$ 195,918</u>

The increase in current assets is due in part to an additional influx of funds received under a grant from the State Economic Development Initiative (SEDI) in advance of the completion of performance criteria. Also contributing to the increase in current assets was an increase in recurring and non-recurring State noncapital appropriations, a portion of which was designed to fund initiatives that were incomplete at the end of the fiscal year, and a \$6 million increase in amounts due from the State for capital projects. Capital assets decreased as annual depreciation expense of \$8.4 million exceeded additions to assets. The increase in current liabilities is mainly the result of unearned revenue associated with grants and contracts. As a result of these occurrences, restricted and unrestricted net position experienced increases.

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

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2013-14 and 2012-13 fiscal years:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years
(In Thousands)**

	2013-14	2012-13
Operating Revenues	\$ 84,663	\$ 84,358
Less, Operating Expenses	188,177	172,193
Operating Loss	(103,514)	(87,835)
Net Nonoperating Revenues	100,118	72,639
Loss Before Other Revenues, Expenses, Gains, or Losses	(3,396)	(15,196)
Other Revenues	12,681	247
Net Increase (Decrease) In Net Position	9,285	(14,949)
Net Position, Beginning of Year	195,918	210,867
Net Position, End of Year	\$ 205,203	\$ 195,918

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

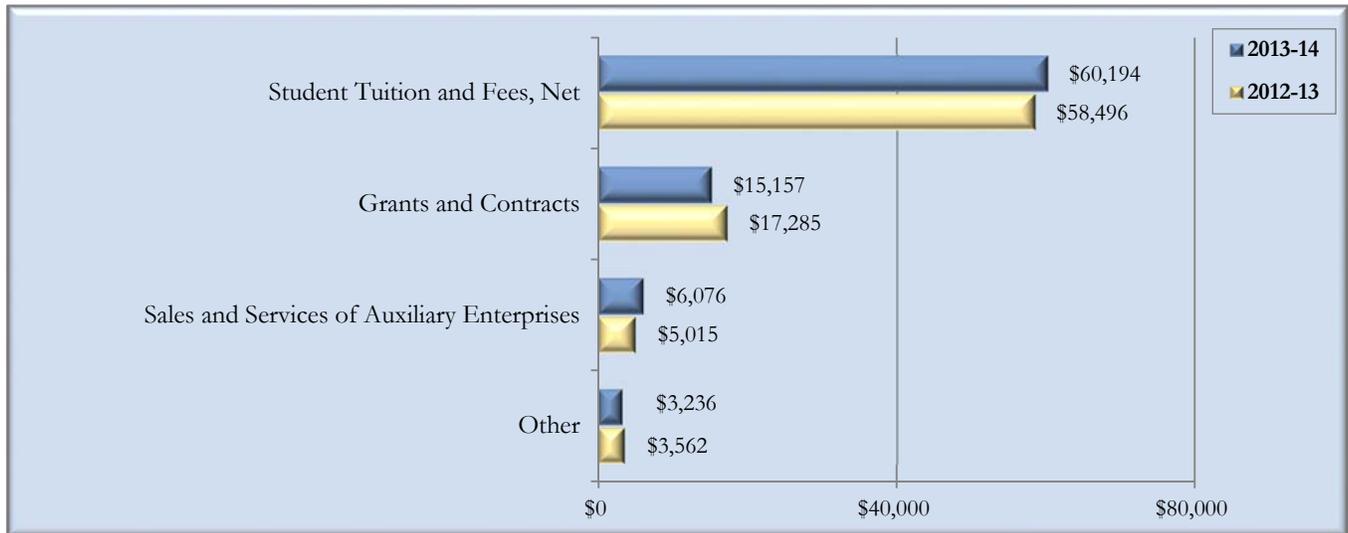
The following summarizes the operating revenues by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

**Operating Revenues
(In Thousands)**

	2013-14	2012-13
Student Tuition and Fees, Net	\$ 60,194	\$ 58,496
Grants and Contracts	15,157	17,285
Sales and Services of Auxiliary Enterprises	6,076	5,015
Other	3,236	3,562
Total Operating Revenues	\$ 84,663	\$ 84,358

The following chart presents the University’s operating revenues for the 2013-14 and 2012-13 fiscal years:

**Operating Revenues
(In Thousands)**



Total operating revenues for the 2013-14 fiscal year were \$84.7 million, of which \$60.2 million was from net student tuition and fees. Tuition allowances, which represent the difference between the stated charges for goods and services provided by the University and the amount that is actually paid by a student or third party making payment on behalf of the student, totaled \$20 million, and are deducted from gross student tuition and fees of \$80.2 million to arrive at net student tuition and fees. Net student tuition and fees was \$60.2 million for the 2013-14 fiscal year, which represents an increase of \$1.7 million, or 2.9 percent, over the 2012-13 fiscal year. This increase was due to increased student tuition and fee rates. Sales and services of auxiliary enterprises increased over the 2012-13 fiscal year due to the assignment of Parking Services to UWF Business Enterprises, Inc., during the 2013-14 fiscal year.

Operating Expenses

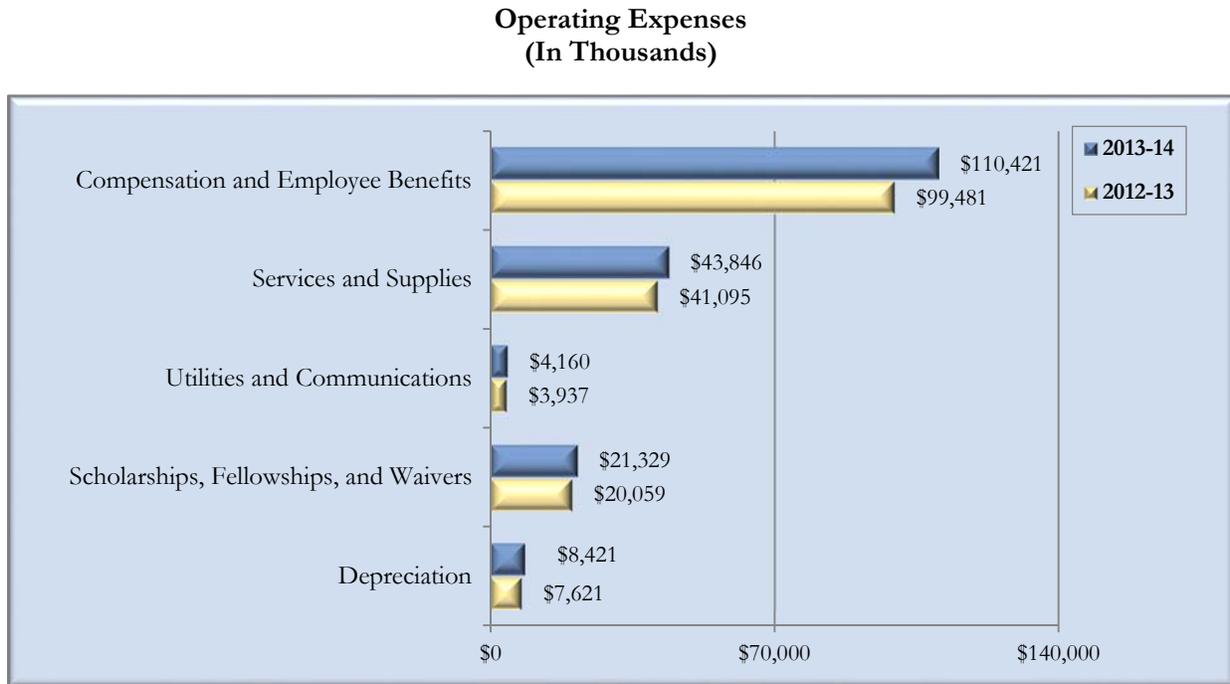
Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2013-14 and 2012-13 fiscal years:

**Operating Expenses
(In Thousands)**

	2013-14	2012-13
Compensation and Employee Benefits	\$ 110,421	\$ 99,481
Services and Supplies	43,846	41,095
Utilities and Communications	4,160	3,937
Scholarships, Fellowships, and Waivers	21,329	20,059
Depreciation	8,421	7,621
Total Operating Expenses	\$ 188,177	\$ 172,193

The following chart presents the University’s operating expenses for the 2013-14 and 2012-13 fiscal years:



Compensation and employee benefits increased by \$10.9 million over the prior fiscal year, which can be attributed to a number of factors including salary increases, significant increases in benefit rates, the requirement to provide health benefits to other personnel services employees, and the continuing escalation of other post-employment benefits costs. The increase in services and supplies was primarily due to payments made in the 2013-14 fiscal year for consulting services utilized in the implementation of a new computer system application for student financial aid, student records, and student accounts. Scholarships increased primarily due to an increase in institutional financial aid awards funded by tuition differential fees.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include investment losses and losses on the disposal of capital assets. The following summarizes the University’s nonoperating revenues and expenses for the 2013-14 and 2012-13 fiscal years:

**Nonoperating Revenues (Expenses)
(In Thousands)**

	2013-14	2012-13
State Noncapital Appropriations	\$ 71,003	\$ 44,860
Federal and State Student Financial Aid	24,702	25,169
Noncapital Grants, Contracts, and Gifts	3,011	2,718
Investment Income (Loss)	1,405	(112)
Other Nonoperating Revenues	19	60
Loss on Disposal of Capital Assets	(22)	(56)
Net Nonoperating Revenues	\$ 100,118	\$ 72,639

The increase in the University's State noncapital appropriations of \$26.1 million was due to the restoration of appropriation cuts made in the 2012-13 fiscal year as well as increases in funding for various University initiatives such as a Doctorate of Nursing Practice (\$1 million), the Complete Florida Program (\$4 million), and enhancement of the Small Business Development Centers (\$4 million). Investment income increased by \$1.5 million primarily due to an increase in the fair market value of the University's investments in the State Treasury Special Purpose Investment Account at June 30, 2014, as compared to the prior fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

Other Revenues, Expenses, Gains, or Losses (In Thousands)

	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 11,879	\$ 198
Capital Grants, Contracts, Donations, and Fees	<u>802</u>	<u>49</u>
Total	<u>\$ 12,681</u>	<u>\$ 247</u>

The \$11.7 million increase in State capital appropriations resulted from an increase in State funding for construction projects.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows (In Thousands)

	<u>2013-14</u>	<u>2012-13</u>
Cash Provided (Used) by:		
Operating Activities	\$ (82,263)	\$ (59,124)
Noncapital Financing Activities	98,239	72,656
Capital and Related Financing Activities	3,439	(5,146)
Investing Activities	<u>(14,653)</u>	<u>(8,476)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,762	(90)
Cash and Cash Equivalents, Beginning of Year	<u>4,076</u>	<u>4,166</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,838</u>	<u>\$ 4,076</u>

Major sources of funds came from State noncapital appropriations (\$71 million), net student tuition and fees (\$60.3 million), Federal Direct Student Loan receipts (\$54.9 million), grants and contracts (\$24.7 million), sales and services of auxiliary enterprises (\$6.1 million), and State capital appropriations (\$5.9 million). Major uses of funds were for payments made to and on behalf of employees totaling \$105.3 million, disbursements to students for Federal Direct Student Loans totaling \$54.9 million, payments to suppliers totaling \$47.4 million, and payments to and on behalf of students for scholarships totaling \$21.3 million.

A \$12.9 million decrease in cash provided by contracts and grants coupled with a \$12.8 million increase in cash used to pay salaries, supplies, and scholarships are the primary reasons for the \$23.1 million increase in cash used by operations. This was offset by a \$26.1 million increase in cash provided by State noncapital appropriations, a \$1.5 million increase in cash provided by State capital appropriations, and a \$7.1 million decrease in cash used for the purchase of capital assets, allowing for a \$5.6 million increase in net purchase of investments and a \$4.8 million increase in cash and cash equivalents for the 2013-14 fiscal year.

CAPITAL ASSETS AND CAPITAL EXPENSES AND COMMITMENTS

CAPITAL ASSETS

At June 30, 2014, the University had \$285.9 million in capital assets, less accumulated depreciation of \$140.7 million, for net capital assets of \$145.2 million. Depreciation charges for the current fiscal year totaled \$8.4 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30 (In Thousands)

	2014	2013
Land	\$ 9,606	\$ 9,606
Works of Art and Historical Treasures	11,631	10,886
Construction in Progress	1,566	648
Buildings	98,693	103,035
Infrastructure and Other Improvements	12,814	13,458
Furniture and Equipment	8,202	8,727
Library Resources	2,645	3,485
Leasehold Improvements		1
Computer Software		33
	\$ 145,157	\$ 149,879
Capital Assets, Net		

Additional information about the University's capital assets is presented in the notes to financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2014, were incurred on the College of Business – Phase 3 projects. The University's construction commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	\$ 5,354
Completed to Date	(1,566)
Balance Committed	\$ 3,788

Additional information about the University's construction commitments is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. Due to increasing concerns over the cost of higher education in the State of Florida, the Legislature provided for no increase in student tuition or tuition differential fees for the University of West Florida for the 2014-15 fiscal year. State noncapital appropriations will increase for the 2014-15 fiscal year by \$13.7 million, with \$3.8 million of the University's appropriation at risk due to the University's ranking on performance metrics established by the Florida Board of Governors for the Florida State University System. University management has devised and is aggressively pursuing a performance improvement plan that the University is confident will forestall the loss of these at risk funds.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Colleen M. Asmus, CPA, Associate Vice President for Finance/Controller, University of West Florida, 11000 University Parkway, Pensacola, Florida 32514.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF WEST FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET POSITION June 30, 2014

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,565,571	\$ 6,479,158
Investments	95,611,874	177,997
Accounts Receivable, Net	6,732,351	3,516,738
Loans and Notes Receivable, Net	35,304	61,692
Due from State	9,408,483	
Due from University		14,424
Inventories		146,142
Other Current Assets		153,182
Total Current Assets	118,353,583	10,549,333
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,272,517	11,091,643
Restricted Investments		72,115,295
Loans and Notes Receivable, Net	2,886,091	
Depreciable Capital Assets, Net	122,354,656	57,387,448
Nondepreciable Capital Assets	22,802,541	3,730,593
Other Noncurrent Assets		684
Total Noncurrent Assets	150,315,805	144,325,663
Total Assets	268,669,388	154,874,996
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,099,461	527,013
Construction Contracts Payable	499,450	
Salaries and Wages Payable	2,528,761	
Deposits Payable	1,105,974	30,974
Due to Component Units	14,424	
Unearned Revenue	2,867,854	319,011
Other Current Liabilities	117,993	
Long-Term Liabilities - Current Portion:		
Bonds Payable		2,056,000
Loans and Notes Payable		1,025,199
Capital Lease Payable		4,790
Unearned Revenue	2,525,936	
Compensated Absences Payable	1,056,614	
Total Current Liabilities	14,816,467	3,962,987

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$	\$ 51,150,819
Capital Lease Payable		14,025
Unearned Revenue	22,239,566	2,766,986
Compensated Absences Payable	11,738,419	311,074
Other Postemployment Benefits Payable	13,179,000	
Other Noncurrent Liabilities	1,492,556	198,715
Total Noncurrent Liabilities	48,649,541	54,441,619
Total Liabilities	63,466,008	58,404,606
NET POSITION		
Net Investment in Capital Assets	145,157,197	6,575,536
Restricted for Nonexpendable:		
Endowment		49,675,065
Restricted for Expendable:		
Loans	2,002,812	
Capital Projects	10,096,295	
Other	698,897	27,348,933
Unrestricted	47,248,179	12,870,856
TOTAL NET POSITION	\$ 205,203,380	\$ 96,470,390

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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$19,967,701	\$ 60,193,923	\$
Federal Grants and Contracts	11,533,825	
State and Local Grants and Contracts	3,623,181	
Sales and Services of Auxiliary Enterprises	6,076,624	
Sales and Services of Component Units		4,713,638
Gifts and Donations		4,415,544
Interest on Loans and Notes Receivable	57,433	
Other Operating Revenues	3,178,295	11,878,018
	84,663,281	21,007,200
Total Operating Revenues		
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	110,421,252	2,948,632
Services and Supplies	43,845,639	9,054,212
Utilities and Communications	4,159,409	1,415,342
Scholarships, Fellowships, and Waivers	21,329,494	61,170
Depreciation	8,421,459	2,857,592
	188,177,253	16,336,948
Total Operating Expenses		
Operating Income (Loss)	(103,513,972)	4,670,252
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	71,002,733	
Federal and State Student Financial Aid	24,702,173	
Noncapital Grants, Contracts, and Gifts	3,010,809	
Investment Income	1,405,018	10,495,967
Other Nonoperating Revenues	19,451	33,465
Loss on Disposal of Capital Assets	(22,035)	
Interest on Capital Asset-Related Debt		(2,669,772)
Other Nonoperating Expenses		(3,227,166)
	100,118,149	4,632,494
Net Nonoperating Revenues		
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,395,823)	9,302,746
State Capital Appropriations	11,879,319	
Capital Grants, Contracts, Donations, and Fees	801,837	
Additions to Permanent Endowments		1,995,953
	9,285,333	11,298,699
Increase in Net Position		
Net Position, Beginning of Year	195,918,047	86,552,214
Adjustment to Beginning Net Position		(1,380,523)
	195,918,047	85,171,691
Net Position, Beginning of Year, as Restated		
Net Position, End of Year	\$ 205,203,380	\$ 96,470,390

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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 60,309,458
Grants and Contracts	21,683,309
Sales and Services of Auxiliary Enterprises	6,076,624
Interest on Loans and Notes Receivable	38,194
Payments to Employees	(105,270,182)
Payments to Suppliers for Goods and Services	(47,428,330)
Payments to Students for Scholarships and Fellowships	(21,329,495)
Loans Issued to Students	(420,739)
Collection on Loans to Students	372,910
Other Operating Receipts	3,705,453
	(82,262,798)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	71,002,733
Federal and State Student Financial Aid	24,702,173
Noncapital Grants, Contracts & Gifts	3,010,809
Federal Direct Loan Program Receipts	54,888,631
Federal Direct Loan Program Disbursements	(54,888,631)
Net Change in Funds Held for Others	(495,724)
Other Nonoperating Receipts	19,133
	98,239,124
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	5,916,668
Purchase or Construction of Capital Assets	(2,477,135)
	3,439,533
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	117,983,132
Purchase of Investments	(133,344,632)
Investment Income	708,135
	(14,653,365)
Net Increase in Cash and Cash Equivalents	4,762,494
Cash and Cash Equivalents, Beginning of Year	4,075,594
	\$ 8,838,088

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	<u>University</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (103,513,972)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,421,459
Change in Assets and Liabilities:	
Receivables, Net	(900,515)
Accounts Payable	502,786
Salaries and Wages Payable	646,875
Deposits Payable	352,660
Compensated Absences Payable	1,169,194
Unearned Revenue	7,649,088
Other Liabilities	74,627
Other Postemployment Benefits Payable	3,335,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (82,262,798)
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 650,583
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (22,035)
Donations of capital assets and increases in the value of Historical Treasures were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 801,837

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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. 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 thirteen 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.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- University of West Florida Foundation, Inc., provides funding and services to support and foster the pursuit of higher education at the University, and operates solely for the benefit of the University and its mission of teaching, research, and service. The Foundation serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. The Foundation does not serve any private causes, but generally benefits the public.
- West Florida Historic Preservation, Inc., was established to engage in the restoration and exhibition of historical landmarks in the Pensacola, Florida vicinity. This organization conducts certain activities and programs that assist and promote the purposes of the University.
- UWF Business Enterprises, Inc., was established to receive, hold, develop, provide, maintain, and administer property and to make expenditures to or for the exclusive benefit of the University or a research and development park or research and development authority of or affiliated with the University and to

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

promote, encourage, and provide assistance to the research activities of faculty, staff, and students of the University of West Florida.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, is available by contacting the University Financial Services Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

Basis of 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 measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The University of West Florida Foundation, Inc., follows FASB standards of accounting and financial reporting for not-for-profit organizations. West Florida Historic Preservation, Inc., and UWF Business Enterprises, Inc., follow GASB standards of accounting and financial reporting.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. 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 required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to purchase or construct capital or other restricted assets are classified as restricted.

Capital Assets. University capital assets consist of land; works of art and historical treasures; construction in progress; buildings; infrastructure and other improvements; furniture and equipment; library resources; leasehold improvements; 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. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for new buildings and for building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 10 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- Furniture and Equipment – 5 to 20 years
- Library Resources – 10 years
- Leasehold Improvements – 10 years or the term of the lease, whichever is greater
- Computer Software – 5 years

Capital assets of the University of West Florida Foundation, Inc., consist of land, construction in progress, office equipment and software, and property held under capital lease. 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 donations. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. 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.

Capital assets of West Florida Historic Preservation, Inc., consist of land, buildings and improvements, and furniture, fixtures, and equipment, including historic properties, antiques, and collections. 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 donations. Expenditures which equal or exceed \$5,000 that materially increase values, change capacities, or extend useful lives are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed on a straight-line basis over 5 to 10 years for furniture, fixtures, and equipment and over 10 to 40 years for buildings and improvements. Historic properties, antiques, and collectibles are not depreciated.

Capital assets of UWF Business Enterprises, Inc. (BEI), consist of land, buildings, golf course improvements, equipment, furniture and fixtures, exterior signage, and construction in progress. Assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of donations. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. BEI has a capitalization threshold of \$50,000 for buildings, building improvements, infrastructure, infrastructure improvements, and leasehold improvements and a \$5,000 capitalization threshold for tangible personal property. Depreciation is calculated on the straight-line basis over 40 years for buildings, 20 years for golf course improvements, 5 to 10 years for equipment and software, and 7 years for furniture and fixtures and exterior signage.

Noncurrent Liabilities. Noncurrent liabilities include unearned revenues, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year.

2. ADJUSTMENT TO BEGINNING NET POSITION – COMPONENT UNITS

The beginning net position of the University of West Florida Foundation, Inc., a discretely presented component unit, was decreased by \$1,380,523 due to the adoption of a new GASB Pronouncement, Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires bond issuance costs, which were previously deferred and amortized, to be expensed when incurred. Previously, deferred bond issuance costs totaled \$1,380,523.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law.

The University's investments at June 30, 2014, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$66,181,363
SBA Florida PRIME	29,429,028
SBA Fund B Surplus Funds Trust Fund	<u>1,483</u>
Total University Investments	<u>\$ 95,611,874</u>

External Investment Pools

The University reported investments at fair value totaling \$66,181,363 at June 30, 2014, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years, and had a fair value factor of 1.0074 at June 30, 2014. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2014, the University reported investments totaling \$29,429,028 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of

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floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

State Board of Administration Fund B Surplus Funds Trust Fund

The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2014, the University reported investments at fair value of \$1,483 in Fund B. The University's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2013. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

Component Units Investments

Investments held by the University of West Florida Foundation, Inc., and West Florida Historic Preservation, Inc., at June 30, 2014, are reported at carrying value, which approximates fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Equity Securities:	
Common Stock and Mutual Funds	\$ 43,091,235
Debt Securities	10,354,747
Alternative Investments:	
Fund of Fund Hedge Funds	15,241,975
Private Equity Investments	1,753,691
Real Estate Investment Trust	1,176,321
Cash Surrender Insurance	143,978
Funds Held in Trust	311,850
Property Held for Investment	41,498
Certificates of Deposit	177,997
Total Component Units Investments	<u>\$ 72,293,292</u>

For the component units, except for the certificates of deposit, the investments are those reported by the University of West Florida Foundation, Inc. (Foundation). Because the Foundation reports under the FASB reporting model, disclosure of the various investment risks is not required for the Foundation's investments.

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4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2014, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 4,844,239
Student Tuition and Fees	1,128,098
Other	<u>2,265,585</u>
Gross Accounts Receivable	8,237,922
Less Allowance for Doubtful Accounts	<u>(1,505,571)</u>
Net Accounts Receivable	<u>\$ 6,732,351</u>

Allowances for doubtful accounts are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

Loans and Notes Receivable. Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

5. DUE FROM STATE

This amount consists of \$9,408,483 of Public Education Capital Outlay and Capital Improvement Fee Trust Fund allocations due from the State to the University for construction of University facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 9,605,539	\$	\$	\$ 9,605,539
Works of Art and Historical Treasures	10,886,096	744,871		11,630,967
Construction in Progress	648,220	945,443	27,628	1,566,035
Total Nondepreciable Capital Assets	\$ 21,139,855	\$ 1,690,314	\$ 27,628	\$ 22,802,541
Depreciable Capital Assets:				
Buildings	\$ 173,783,004	\$ 194,410	\$ 216,767	\$ 173,760,647
Infrastructure and Other Improvements	28,993,469	438,237	13,200	29,418,506
Furniture and Equipment	26,598,883	1,653,229	343,271	27,908,841
Library Resources	30,093,069	2,046	155,018	29,940,097
Leasehold Improvements	59,403			59,403
Computer Software	2,012,099			2,012,099
Total Depreciable Capital Assets	261,539,927	2,287,922	728,256	263,099,593
Less, Accumulated Depreciation:				
Buildings	70,747,743	4,320,152		75,067,895
Infrastructure and Other Improvements	15,535,127	1,069,296		16,604,423
Furniture and Equipment	17,871,575	2,157,500	322,325	19,706,750
Library Resources	26,607,876	841,901	155,018	27,294,759
Leasehold Improvements	58,801	210		59,011
Computer Software	1,979,699	32,400		2,012,099
Total Accumulated Depreciation	132,800,821	8,421,459	477,343	140,744,937
Total Depreciable Capital Assets, Net	\$ 128,739,106	\$ (6,133,537)	\$ 250,913	\$ 122,354,656

7. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2014, include unearned revenue, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned Revenue	\$ 17,445,000	\$ 11,946,530	\$ 4,626,028	\$ 24,765,502	\$ 2,525,936
Compensated Absences Payable	11,625,840	1,992,366	823,173	12,795,033	1,056,614
Other Postemployment Benefits Payable	9,844,000	3,984,000	649,000	13,179,000	
Other Noncurrent Liabilities	1,511,077		18,521	1,492,556	
Total Long-Term Liabilities	\$ 40,425,917	\$ 17,922,896	\$ 6,116,722	\$ 52,232,091	\$ 3,582,550

Unearned Revenue. Long-term unearned revenue represents funds received but not yet earned under a grant from the State Economic Development Initiative. Total long-term unearned revenue at June 30, 2014, amounted to \$24,765,502, with \$2,525,936 expected to be earned during the 2014-15 fiscal year.

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Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$12,795,033. The current portion of the compensated absences liability, \$1,056,614, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer, defined-benefit plan (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. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 204 retirees received postemployment healthcare benefits. The University provided required contributions of \$649,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,178,000, which represents 1.7 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 2,552,000
Amortization of Unfunded Actuarial Accrued Liability	1,228,000
Interest on Normal Cost and Amortization	151,000
Annual Required Contribution	3,931,000
Interest on Net OPEB Obligation	394,000
Adjustment to Annual Required Contribution	(341,000)
Annual OPEB Cost (Expense)	3,984,000
Contribution Toward the OPEB Cost	(649,000)
Increase in Net OPEB Obligation	3,335,000
Net OPEB Obligation, Beginning of Year	9,844,000
Net OPEB Obligation, End of Year	\$ 13,179,000

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 3,507,000	22.5%	\$ 7,179,000
2012-13	3,496,000	23.8%	9,844,000
2013-14	3,984,000	16.3%	13,179,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$36,847,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$36,847,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$67,758,498 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 54.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the University's 2013-14 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.4 percent, 7 percent, and 8.2 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.9 percent, 7.8 percent, and 8.3 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

Other Noncurrent Liabilities. Other noncurrent liabilities represent the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or have excess cash in the loan program.

Bonds Payable – Component Units. A summary of the component units' bonds payable as of June 30, 2014, is shown in the following table:

Bond Type and Series	Amount of Original Issue	Amount Outstanding	Interest Rates (Percent)
Revenue Bonds:			
Dormitory Revenue Bonds:			
2009	\$ 15,000,000	\$ 12,898,000	5.09
2011	16,525,000	15,915,000	3.00 - 5.875
Dormitory Refunding Revenue Bonds:			
2005	18,290,000	14,880,000	3.75 - 5.00
2010	11,717,000	9,758,000	3.95
Subtotal	61,532,000	53,451,000	
Less Net Discounts		(244,181)	
Total Revenue Bonds	\$ 61,532,000	\$ 53,206,819	

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Maturities of the component units' bonds are shown in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,056,000	\$ 2,595,824	\$ 4,651,824
2016	2,143,000	2,510,576	4,653,576
2017	2,236,000	2,421,631	4,657,631
2018	2,325,000	2,326,206	4,651,206
2019	2,430,000	2,224,721	4,654,721
2020-2024	13,890,000	9,381,963	23,271,963
2025-2029	16,541,000	5,838,900	22,379,900
2030-2034	5,970,000	2,552,106	8,522,106
2035-2039	4,740,000	1,196,150	5,936,150
2040	1,120,000	65,800	1,185,800
Subtotal	53,451,000	31,113,877	84,564,877
Net Discounts	(244,181)		(244,181)
Total	<u>\$ 53,206,819</u>	<u>\$ 31,113,877</u>	<u>\$ 84,320,696</u>

The 2005 Dormitory Refunding Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to refund approximately \$5.5 million from a 2002 bond issue and to defease approximately \$11.6 million from a 1999 bond issue for the purpose of consolidation and to achieve debt service coverage savings.

The 2009 Dormitory Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities.

The 2010 Dormitory Refunding Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to refund \$11.5 million from a 1998 Dormitory Revenue Bond issue.

The 2011 Dormitory Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities.

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 percent of annual debt service. The debt service ratio for the year ended June 30, 2014 was 128 percent. The Foundation is not aware of any violations of the covenants at June 30, 2014.

8. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS 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. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing,

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multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 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 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee 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 the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Teachers Retirement System, Plan E	6.25	11.44
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The University’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University’s contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$2,129,867, \$2,302,066, and \$3,125,927, respectively, which were equal to the required contributions for each fiscal year.

There were 158 University participants in the Investment Plan during the 2013-14 fiscal year. The University’s contributions including employee contributions to the Investment Plan totaled \$586,196, which was equal to the required contribution for the 2013-14 fiscal year.

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’ Web site (www.myfloridacfo.com). 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’s Web site (www.myfloridacfo.com).

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 FRS for eight 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. The employing university contributes, on behalf of the participant, 7.34 percent of the participant’s salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by

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payroll deduction, an amount not to exceed the percentage contributed by the University to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 501 University participants during the 2013-14 fiscal year. The University’s contributions to the Program totaled \$2,238,976 and employee contributions totaled \$1,740,593 for the 2013-14 fiscal year.

9. CONSTRUCTION COMMITMENTS

The University’s construction commitments at June 30, 2014, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
College of Business - Phase 3	\$ 3,775,644	\$ 552,081	\$ 3,223,563
Other Projects (1)	1,578,449	1,013,954	564,495
Total	\$ 5,354,093	\$ 1,566,035	\$ 3,788,058

Note: (1) Individual projects with current balance committed of less than \$1 million at June 30, 2014.

10. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers’ compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2013-14 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named windstorm and flood losses through February 15, 2014, and increased to \$54 million starting February 16, 2014. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; 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(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal 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

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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.

11. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 53,723,128
Research	7,123,660
Public Services	16,805,737
Academic Support	21,980,762
Student Services	12,073,881
Institutional Support	19,083,869
Operation and Maintenance of Plant	11,604,583
Scholarships, Fellowships, and Waivers	21,329,494
Depreciation	8,421,459
Auxiliary Enterprises	16,030,680
Total Operating Expenses	<u>\$ 188,177,253</u>

12. DISCRETELY PRESENTED COMPONENT UNITS

The University has three discretely presented component units as discussed in note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units’ columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Condensed Statement of Net Position

	University of West Florida Foundation, Inc. 6-30-14	West Florida Historic Preservation, Inc. 6-30-14	UWF Business Enterprises, Inc. 6-30-14	Total
Assets:				
Current Assets	\$ 6,634,793	\$ 2,114,365	\$ 1,800,175	\$ 10,549,333
Capital Assets, Net	53,630,100	4,559,520	2,928,421	61,118,041
Other Noncurrent Assets	83,206,938	684		83,207,622
Total Assets	143,471,831	6,674,569	4,728,596	154,874,996
Liabilities:				
Current Liabilities	2,439,886	33,925	1,489,176	3,962,987
Noncurrent Liabilities	51,660,608		2,781,011	54,441,619
Total Liabilities	54,100,494	33,925	4,270,187	58,404,606
Net Position:				
Net Investment in Capital Assets	418,631	4,559,520	1,597,385	6,575,536
Restricted Nonexpendable	49,675,065			49,675,065
Restricted Expendable	27,188,685	160,248		27,348,933
Unrestricted	12,088,956	1,920,876	(1,138,976)	12,870,856
Total Net Position	\$ 89,371,337	\$ 6,640,644	\$ 458,409	\$ 96,470,390

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

**Condensed Statement of Revenues, Expenses,
and Changes in Net Position**

	University of West Florida Foundation, Inc. 6-30-14	West Florida Historic Preservation, Inc. 6-30-14	UWF Business Enterprises, Inc. 6-30-14	Total
Operating Revenues	\$ 14,615,975	\$ 1,809,663	\$ 4,581,562	\$ 21,007,200
Depreciation Expense	(2,683,639)	(92,733)	(81,220)	(2,857,592)
Operating Expenses	(8,853,069)	(915,529)	(3,710,758)	(13,479,356)
Operating Income	3,079,267	801,401	789,584	4,670,252
Net Nonoperating Revenues (Expenses)				
Nonoperating Revenues	10,300,770	195,197	33,465	10,529,432
Interest Expense	(2,669,772)			(2,669,772)
Other Nonoperating Expenses	(3,183,854)		(43,312)	(3,227,166)
Net Nonoperating Revenues (Expenses)	4,447,144	195,197	(9,847)	4,632,494
Other Revenues, Expenses, Gains, and Losses	1,995,953			1,995,953
Increase in Net Position	9,522,364	996,598	779,737	11,298,699
Net Position, Beginning of Year	81,229,496	5,644,046	(321,328)	86,552,214
Adjustment to Beginning Net Position (1)	(1,380,523)			(1,380,523)
Net Position, Beginning of Year, as Restated	79,848,973	5,644,046	(321,328)	85,171,691
Net Position, End of Year	\$ 89,371,337	\$ 6,640,644	\$ 458,409	\$ 96,470,390

Note: (1) The beginning net position of the University of West Florida Foundation, Inc., was decreased by \$1,380,523 due to the adoption of GASB Pronouncement, Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires bond issuance costs, which were previously deferred and amortized, to be expensed when incurred.

13. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented, as follows:

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Statement of Current Unrestricted Funds Net Position

Assets

Current Assets:

Cash and Cash Equivalents	\$ 22,427
Investments	75,726,383
Receivables, Net	1,702,820
Due from Other Funds	<u>1,909,071</u>

Total Assets 79,360,701

Liabilities

Current Liabilities:

Accounts Payable	3,026,571
Salary and Wages Payable	2,528,761
Deposits Payable	583,157
Compensated Absences Payable	<u>1,056,614</u>

Total Current Liabilities 7,195,103

Noncurrent Liabilities:

Compensated Absences Payable	11,738,419
Other Postemployment Benefits Payable	<u>13,179,000</u>

Total Noncurrent Liabilities 24,917,419

Total Liabilities 32,112,522

Total Net Position \$ 47,248,179

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

**Statement of Current Unrestricted Funds Revenues,
Expenses, and Changes in Net Position**

Revenues

Operating Revenues:

Student Tuition and Fees (1)	\$ 80,161,624
Sales and Services of Auxiliary Enterprises	6,076,624
Other Operating Revenues	<u>939,152</u>

Total Operating Revenues 87,177,400

Expenses

Operating Expenses:

Compensation and Employee Benefits	103,432,908
Services and Supplies	32,494,751
Utilities and Communications	4,118,005
Scholarships and Fellowships	<u>14,870,947</u>

Total Operating Expenses 154,916,611

Operating Loss (67,739,211)

Nonoperating Revenues

State Noncapital Appropriations	71,002,733
Investment Income	1,386,357
Other Nonoperating Revenues	<u>19,451</u>

Net Nonoperating Revenues 72,408,541

**Income Before Other Revenues,
Expenses, Gains, or Losses** 4,669,330

Transfers from Other Funds 403,923

Increase in Net Position 5,073,253

Net Position, Beginning of Year 42,174,926

Net Position, End of Year \$ 47,248,179

Note: (1) Student tuition and fees revenue is reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in student tuition and fees revenue for the purposes of this disclosure.

**UNIVERSITY OF WEST FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (2) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 33,402,000	\$ 33,402,000	0%	\$ 55,636,371	60.0%
7/1/2011	-	37,956,000	37,956,000	0%	59,114,940	64.2%
7/1/2013	-	36,847,000	36,847,000	0%	67,758,498	54.4%

Notes: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

(2) The July 1, 2013, unfunded actuarial accrued liability of \$36,847,000 was less than the July 1, 2011, liability of \$37,956,000 primarily as a result of a lower than expected increase in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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*

Report on the Financial Statements

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, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 20, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in

internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, 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 the **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*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
November 20, 2014

UWF Board of Trustees Meeting
Audit and Operations Committee
March 3, 2015

Issue: Approval of Revised UWF Human Resources Policy
HR-11.03-02/15 *Introduction/General Provisions Governing Personnel Matters*

Proposed Action: Approve

Background Information: Human Resources Policy HR-11 *Introduction/General Provisions Governing Personnel Matters* was originally adopted by the UWF Board of Trustees in July, 2004. The Human Resources Department, in conjunction with the General Counsel's Office, is continuously reviewing and revising UWF Human Resources policies. This policy was revised and sent to campus for public review and comment from November 25, 2014, to December 25, 2014. Two comments were received. One comment resulted in textual changes.

Implementation Plan: Following approval by the Board of Trustees, the revised policy will be placed on the Human Resources web site HR policy section. Announcements will be placed in the Human Resources electronic newsletter *HR Bulletin*.

Fiscal Implications: None

Supporting documents: HR-11.03-02/15 *Introduction/General Provisions Governing Personnel Matters Blacklined Version*

Prepared by: Cindy B. Faria, Associate Vice President of Human Resources
850-474-2602, cfaria@uwf.edu

Facilitator/Presenter: Cindy B. Faria, Associate Vice President of Human Resources

HR-11.00-2004/2007—revised 6/2007

~~TO: University of West Florida Community~~ Policy 11.03-02/15

~~FROM:~~

Dr. John Cavanaugh, President

~~SUBJECT:~~

Policy Title: Introduction/General Provisions Governing Personnel Matters

Originator: Office of the Provost

~~Responsible Office/Executive: Executive Vice President and:~~ Human Resources Department

~~Reason for Policy/Purpose:~~ The Board of Trustees and the President shall be responsible for establishing, administering, and maintaining the personnel

~~To inform the University Community of the Human Resources programs:~~ and policies.

Contents:

- (1) Human Resources Policies and Employee Handbook
- (2) Definition of University Employee
- (3) Applicable laws, rules, regulations and policies
- (4) Human Resources Programs
- (5) Employment Classifications
- (6) Custodian of Employment Records
- (7) Scope of Human Resources Policies

Policy Statement:

- (1) HR University Policies HR-11.00 through HR-12.00 comprise the University's Human Resources policies and serve as the University of West Florida Employee Handbook.
- (2) For purposes of ~~these~~ the University's Human Resources policies, University employees are those persons who have been hired by the University, receive financial compensation to perform services for the University, (including stipends), and whose work is directed and controlled by the University. The term "employee" includes those individuals identified in Section (5) below ~~and, but~~ does not include volunteers or independent contractors.
- ~~(2)-3)~~ University employees are required to maintain the highest standards of ethics and conduct and are expected to adhere to ~~the Federal and Florida Constitutions, and all~~ applicable Federal and Florida state laws, rules, and ~~rules~~ regulations as well as Board of Governors' and University regulations, rules and policies including, but not limited to, those governing

public/university employment, civil rights, discrimination, conflict of interest, employment of relatives/nepotism, campaigns and elections, purchasing and contracts, grant procurement and administration, public records, military personnel and veterans, and budgets and finances. The lack of a specific reference in ~~this section~~ these Human Resources policies to a particular provision of Federal or Florida law or rule or Board of Governors regulation is not intended to constitute a waiver of an ~~employee's~~ employee's responsibility to adhere to all applicable laws, rules, laws regulations, policies and ~~collective bargaining agreements~~ procedures.

(3a) The provisions of these ~~Personnel Policies~~ Human Resources policies are subject to all applicable Federal and Florida laws, rules, and ~~rules~~.

~~(4) Personnel Programs~~

~~(a) The University President shall be responsible and accountable for establishing, administering and maintaining the personnel programs at the University. For the purposes of Human Resources' policies, the word "University" means the University of West Florida and includes the Board of Trustees ("Board"). The phrase "President" includes designee. of Governors regulations.~~

(b4) Human Resources Programs

(a) The University President has the authority to establish and maintain all records that are necessary to comply with all applicable Federal and Florida laws and rules relating to employment personnel and may delegate this authority to appropriate University officials.

(b) The Human Resources Department shall be responsible and accountable for establishing, administering and maintaining the Human Resources programs at the University. For the purposes of the Human Resources Department's policies, the word "University" means the University of West Florida and includes the Board of Trustees ("Board").

(c) The University is committed to equal employment opportunity and nondiscrimination ~~towards~~ toward applicants and employees with respect to race, color, religion, age, disability, gender, (including sex and gender identity), marital status, national origin, veteran status, and sexual orientation. ~~However, this does not provide a right to insurance coverage or other benefits for a domestic partner of an employee.~~

(5) University employment consists of the following defined ~~categories~~ classifications:

(a) **Executive Service:** Executive Service positions ~~comprise~~ include the President, Provost, Executive Vice President ~~and~~, Vice Presidents, and General Counsel and may include other positions responsible for policy making at the executive level. Executive Service positions ordinarily report directly to the President, Executive Vice President, or Board of Trustees of the University, unless otherwise specified in writing.

Employees in the Executive Service category serve at the will of the President, Executive Vice President, or Board of Trustees and have no expectation of appointment beyond a 60-day notice period unless the University or Board of Trustees has entered into a contract of employment with the employee altering these terms.

Employees in the Executive Service category are not tenured in and do not have permanent status in their Executive Service positions. However, Executive Service employees who are also tenured in academic disciplines shall not lose earned tenure by virtue of being appointed to an Executive Service position. Such employees shall retain tenure as faculty members in their respective academic disciplines.

(b) Faculty: Positions Faculty positions are those positions assigned the principal responsibility of teaching, research, or public service activities or for administrative responsibility for functions directly related to the University's academic mission.

(c) University Work Force (UWF): Includes UWF positions include those positions assigned administrative and management responsibilities or professional duties at the department/unit level or above and positions assigned professional, paraprofessional, administrative, clerical, ~~secretarial~~, technical, skilled crafts, service, or maintenance duties. University Work Force (UWF) employment is at-will and can be terminated at any time in accordance with these policies and with any applicable collective bargaining agreements.

(d) Other Personal Services (OPS): OPS positions are at-will temporary employment-positions. OPS positions are generally short-term in nature and are slated for a particular project or limited-time period.

- (6) The Director of Human Resources is the official custodian for all University ~~personnel~~employment records except Faculty evaluative and academic records, which are the responsibility of the Provost.
- (7) The ~~University personnel~~University's Human Resources policies are not a contract or a guarantee of employment.

References: 1001.74 (4), (19), (34); 1001.75 (16); **Change Justification:**

This policy is being revised as the result of a review of University Human Resources policies.

Authority and Related Documents:

HR-11.03-02/15 Introduction/General Provisions Governing Personnel Matters 2.5.2015

Chapter 112, Part III, Florida Statutes, Section 1012.91-~~4~~; Board of Governors Regulation 1); 119.07-(1)
FS,.001(5), and any relevant
Collective Bargaining Agreements.

~~Approved By: Dr. Dr. John Cavanaugh~~ **APPROVED:** Judith A. Bense, President

Date:

~~Date: 6/2007~~

History:

HR-11.00-2004-07 Introduction/General Provisions Governing Personnel Matters, adopted July 2004;
amended by HR-11.00-2004/2007, adopted June 2007; revised hereby.

UWF Board of Trustees Meeting
Audit and Operations Committee
March 3, 2015

Issue: Approval of Revised UWF Human Resources Policy
HR-12.02-02/15 *Broadband Classification and Compensation System*

Proposed Action: Approve

Background Information: Human Resources policy HR-12.01 *Broadband Classification and Compensation System* was originally adopted by the UWF Board of Trustees in July, 2004. The Human Resources Department, in conjunction with the General Counsel's Office, is continuously reviewing and revising UWF Human Resources policies. This policy was revised and sent to campus for public review and comment from November 25, 2014, to December 25, 2014.

No feedback was received through the campus review process; thus, no changes were made to the revised policy after campus review.

Implementation Plan: Following approval by the Board of Trustees, the revised policy will be placed on the Human Resources web site HR policy section. Announcements will be placed in the Human Resources electronic newsletter *HR Bulletin*.

Fiscal Implications: None

Supporting documents: UWF Policy HR-12.02-02/15 *Broadband Classification and Compensation System Blacklined Version*

Prepared by: Cindy Faria, Associate Vice President of Human Resources
850-474-2602, cfaria@uwf.edu

Facilitator/Presenter: Cindy Faria, Associate Vice President of Human Resources

UNIVERSITY POLICY:HR-12.00-2004/07

TO:University of West Florida Community **Policy HR-12.02-02/15**

FROM:Dr. John Cavanaugh, President

SUBJECT:**Policy Title:** Broadband Classification and Compensation System

Originator: Office of the Provost

Responsible Office/Executive:

~~Executive Vice President and~~ **;** Human Resources Department

Reason for Policy/Purpose:

The ~~President~~University shall ~~establish and~~ maintain an appropriate Broadband Classification and Compensation System for University Work Force Employees.

Policy Statement:

- (1) The ~~Director of~~ Human Resources Department will maintain responsibility for administering the University's Broadband Classification and Compensation System.
- (2) Broadbanding results in an approach to compensation that focuses on performance and market pay level by using a few, wide pay bands to determine compensation. This approach emphasizes management ~~determination of pay rates discretion~~ in setting pay, based on individual qualifications and contributions in consultation with the Human Resources Department.
- (3) Broadbanding expands the focus from job content and scope to include the ~~position~~ relevant knowledge, skills, and abilities of the individual ~~doing the as it relates to job performance. This allows for rewarding work, and thus enhances pay for~~ performance, better maintains a competitive job and compensation structure ~~to aid, aids~~ in recruitment and retention, and streamlines administrative processes.
- (4) ~~Non-Faculty~~University Work Force positions are assigned to a band with a stated minimum and maximum pay range as established by the Human Resources ~~and approved by the President/designee.~~Department. Salaries ~~will be~~are set within an assigned band. The pay bands include job families with ranges ~~that were~~ determined by the University based on industry recognized and applicable market pay data. ~~Pay bands will be~~Market pay rates are reviewed at least once every two years.

HR-12.02-02/15 Broadband Classification and Compensation System 2.5.2015

References: 1001.7

Change Justification:

This policy is being revised as the result of a review of University Human Resources policies.

Authority and Related Documents:

Board of Governors Regulation 1.001(5).

APPROVED: Dr. Judith A. Bense, President

Date:

History:

HR-12.00-2004/07 Broadband Classification and Compensation System, adopted July 2004; revised hereby.

UWF Board of Trustees Meeting
Audit and Operations Committee
March 3, 2015

Issue: External Audits:
WUWF-FM Financial Statement Audit
Intercollegiate Athletics Financial Statement Audit
Florida Institute of Human and Machine Cognition Financial Statement Audit

Proposed action: Informational

Background information:

WUWF-FM Financial Statement Audit: Annually, an external audit firm conducts a financial audit of UWF WUWF Public Media. This is to comply with the Corporation of Public Broadcasting (CPB) community service grant requirements. To ensure compliance with these requirements, the Interim Internal Audit Director of Internal Auditing and Management Consulting performed a cursory review of the special purpose financial statements and determined WUWF-FM was in compliance. The Station's operating revenues totaled \$2,147,416, up \$440,221 from last year and operating expenses totaled \$2,042,350 which is up \$344,022 from last year. The increase in operating revenues was mainly due to a new programming production grant in the current year from the Florida Department of Education. The increase in operating expenses was due mainly to an increase in programming expenses. The Station experienced an increase of \$8,672 in non-operating revenue due to gains on investments.

Intercollegiate Athletics Financial Statement Audit: Annually, a financial audit is conducted of the UWF Intercollegiate Athletics. This is to comply with NCAA Bylaws. To ensure compliance, the Interim Internal Audit Director of Internal Auditing and Management Consulting performed a cursory review of the documents and determined each met the requirements. There were no audit findings. Revenue from student athletic fees rose from \$6,157,609 in 2013 to \$6,935,679 in 2014, primarily due to additional University support in the form of scholarships. Total operating expenses increased from \$6,532,239 in 2013 to \$7,187,785 in 2014, mostly due to increases in personnel services and scholarships. Unrestricted Net Position increased by \$496,483 during the fiscal year. 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 are required to be reported.

Florida Institute of Human and Machine Cognition Financial Statement Audit: Organizations affiliated with or through the University of West Florida must be audited annually and presented to the University of West Florida. The Florida Institute for Human and Machine Cognition audit has been completed for fiscal year ending June 30, 2014. 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."

To ensure compliance with the agreement, the Interim Internal Audit Director of Internal Auditing and Management Consulting performed a cursory review and determined compliance regarding annual financial audit exists. This report contained no findings.

Recommendation: None.

Implementation Plan: None.

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

Supporting documents:

WUWF-FM Financial Statements for fiscal year ending June 30, 2014

WUWF-FM CPA Letter Accompanying Financial Statements

Intercollegiate Athletics Financial Statements for fiscal year ending June 30, 2014

Intercollegiate Athletics CPA Letter Accompanying Financial Statements

Institute for Human and Machine Cognition Financial Statements for fiscal year ending June 30, 2014

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

Presenter: Cindy Talbert, Interim Internal Audit Director

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

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
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JUNE 30, 2014 AND 2013

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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, 2014 and 2013, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

- 1 -

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2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
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tlh@jmco.com

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, 2014 and 2013, and the changes in its net position and its cash flows for the year 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 to 7 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 January 12, 2015 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
January 12, 2015

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

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, 2014 and 2013. 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 North-West Florida and South Alabama, WUWF is community and listener supported public radio from the University of West Florida. WUWF is a full-service, community-oriented public radio station with a professional staff of 12 and nearly 300 volunteers. Funds are provided primarily through listener and local corporate support, broadcasting 24 hours a day, 7 days a week, on 88.1 FM, with a non-directional power output of 100,000 watts. WUWF is affiliated with both NPR (National Public Radio) and PRI (Public Radio International) and we originate local news and music programs.

Broadcasting a wide variety of network programs, WUWF-FM is also known for outstanding locally produced programming like "Acoustic Interlude" and "Radio Live". Both of these programs have national and international followers who listen on the Station's very strong and high quality internet broadcast service.

Founded in 1981 by Thomas K. Perry, WUWF-FM has had an enormous impact on the Pensacola and NW Florida communities. Working with a core staff of multi-talented professionals and hundreds of volunteers, WUWF-FM has been responsible for arts resurgence in the area.

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JUNE 30, 2014 AND 2013
(Continued)

With the cutback of federal funding in the 1990's, WUWF-FM began a course as a truly listener supported station. Today, it operates largely with contributions from local individual listeners with additional support from locally based businesses. The University of West Florida also provides funds, mainly for facilities upkeep and utility bills.

FINANCIAL HIGHLIGHTS

The Station's operating revenues totaled \$2,147,416, up \$440,221 from last year and operating expenses totaled \$2,042,350 which is up \$344,022 from last year. The increase in operating revenues was mainly due to a new programming production grant in the current year from the Florida Department of Education. The increase in operating expenses was due mainly to an increase in programming expenses.

The Station experienced an increase of \$8,672 in non-operating revenue due to gains on investments.

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.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013
(Continued)

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.

CONDENSED STATEMENTS OF NET POSITION
TABLE 1

	June 30, 2014	June 30, 2013	June 30, 2012
Current assets	\$ 702,927	\$ 656,621	\$ 545,550
Noncurrent assets	796,819	675,983	745,735
Total assets	1,499,746	1,332,604	1,291,285
Current liabilities	56,274	41,528	73,909
Noncurrent liabilities	136,914	130,359	97,629
Total liabilities	193,188	171,887	171,538
Net position			
Invested in capital assets	796,819	675,983	745,735
Restricted	379,103	366,787	292,348
Unrestricted	130,636	117,947	81,664
Total net position	\$ 1,306,558	\$ 1,160,717	\$ 1,119,747

WUWF-FM
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013
(Continued)

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

	June 30, 2014	June 30, 2013	June 30, 2012
Revenues			
Operating revenues	\$ 2,147,416	\$ 1,707,195	\$ 1,979,210
Non-operating revenues	40,775	32,103	(9,681)
Total revenues	2,188,191	1,739,298	1,969,529
Expenses			
Total expenses	2,042,350	1,698,328	2,129,078
Increase (decrease) in net position	<u>\$ 145,841</u>	<u>\$ 40,970</u>	<u>\$ (159,549)</u>

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
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 408,998	\$ 390,731
Funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station	262,826	227,989
Accounts and grants receivable	10,770	21,142
Prepaid program costs	20,333	16,759
Total current assets	702,927	656,621
Noncurrent assets		
Capital assets, net of accumulated depreciation	796,819	675,983
Total assets	1,499,746	1,332,604
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	18,299	13,013
Deferred revenue	30,993	19,292
Current portion of compensated absences	6,982	9,223
Total current liabilities	56,274	41,528
Noncurrent liabilities		
Long-term portion of compensated absences	136,914	130,359
Total liabilities	193,188	171,887
<u>NET POSITION</u>		
Net position		
Invested in capital assets	796,819	675,983
Unrestricted	130,636	117,947
Restricted:		
Expendable	229,103	216,787
Nonexpendable - Endowment	150,000	150,000
Total net position	\$ 1,306,558	\$ 1,160,717

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

WUWF-FM
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STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating revenues		
Community service grants donated by the Corporation for Public Broadcasting	\$ 166,036	\$ 164,559
Community service grants donated by the Florida Department of Education	313,016	-
Appropriations from the University of West Florida	524,022	504,871
Business and industry support	194,438	171,669
Membership income	459,219	483,906
Donated facilities and administrative support from the University of West Florida	390,885	367,507
In-kind contributions	23,326	2,240
Other sources	76,474	12,443
Total operating revenues	<u>2,147,416</u>	<u>1,707,195</u>
Operating expenses (Exhibit I)		
Programming and production	1,003,622	722,678
Broadcasting	333,625	297,750
Program information and promotion	96,201	58,381
Management and general	245,165	233,609
Fundraising and membership development	293,040	296,825
Underwriting and grant solicitation	70,697	89,085
Total operating expenses	<u>2,042,350</u>	<u>1,698,328</u>
Operating income	<u>105,066</u>	<u>8,867</u>
Non-operating revenues		
Interest income	3,997	4,423
Net increase in fair value of investments	36,778	27,680
Total non-operating revenues	<u>40,775</u>	<u>32,103</u>
Increase in net position	<u>145,841</u>	<u>40,970</u>
Net position, beginning of year	1,160,717	1,119,747
Net position, end of year	<u>\$ 1,306,558</u>	<u>\$ 1,160,717</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	\$ 1,231,256	\$ 844,652
Cash paid to suppliers and vendors	(694,838)	(557,436)
Cash paid to employees for salaries and benefits	(333,987)	(214,126)
Net cash provided by operating activities	<u>202,431</u>	<u>73,090</u>
Cash flows from investing activities		
Purchases of equipment	(190,100)	-
Purchases of funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station, net of fees	(34,839)	(20,138)
Investment income (loss)	40,775	32,104
Net cash provided by (used in) investing activities	<u>(184,164)</u>	<u>11,966</u>
Net increase in cash and cash equivalents	<u>18,267</u>	<u>85,056</u>
Cash and cash equivalents, beginning of year	390,731	305,675
Cash and cash equivalents, end of year	<u>\$ 408,998</u>	<u>\$ 390,731</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income	<u>\$ 105,066</u>	<u>\$ 8,867</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	69,266	69,751
(Increase) decrease in certain assets:		
Accounts and grants receivable	10,372	(1,049)
Prepaid program costs	(3,574)	(4,828)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	5,286	(2,843)
Compensated absences	4,314	(9,932)
Deferred revenue	11,701	13,124
Total adjustments	<u>97,365</u>	<u>64,223</u>
Net cash provided by operating activities	<u>\$ 202,431</u>	<u>\$ 73,090</u>

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

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

(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) **Net position**—In the statements of net position, net position include the following:

Invested in capital assets, net of related debt—This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. At June 30, 2014 and 2013, there is no related debt.

Restricted assets—The component of net position that reports the constraints placed on the use of net position by either external parties and/or enabling legislation. At June 30, 2014 and 2013 the expendable portion of restricted net position includes certain grant funds and endowment earnings. At June 30, 2014 and 2013, the nonexpendable portion of restricted net position represents endowment funds established by donors.

Unrestricted assets—The difference between assets and liabilities that is not reported in *Invested in capital assets, net of related debt* and *Restricted assets*.

It is the Station’s policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

(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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

(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.

(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, 2014 and 2013, 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 deferred 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 deferred 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, 2014 AND 2013

(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 grantmaking organization responsible for helping fund more than 1,000 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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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

(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 a part of the State of Florida’s educational system. Accordingly, the Station is exempt from Federal income taxes.

(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. Advertising expense for the years ended June 30, 2014 and 2013, were \$392 and \$294, respectively.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

(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.” Total funds held and invested by the Foundation were \$262,826 and \$227,989 as of June 30, 2014 and 2013, respectively.

All funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station are invested in uninsured and unregistered investments, which are held in the name of the University of West Florida Foundation, Inc. All funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station are reflected at fair value. Fair value for mutual funds is determined based upon publicly available trading values. Fair value for hedge funds is determined based upon values provided to the University of West Florida Foundation, Inc. by the respective hedge fund’s manager.

(3) Capital Assets:

Capital asset activity for the years ended June 30, 2014 and 2013, was as follows:

	July 1, 2013 Beginning Balance	Increases	Decreases	June 30, 2014 Ending Balance
Building	\$ 1,202,643	\$ -	\$ -	\$ 1,202,643
Furniture and fixtures	672,363	190,100	-	862,463
Total	1,875,006	190,100	-	2,065,106
Less: Accumulated depreciation	(1,199,023)	(69,264)	-	(1,268,287)
Capital assets, net	<u>\$ 675,983</u>	<u>\$ 120,836</u>	<u>\$ -</u>	<u>\$ 796,819</u>
	July 1, 2012 Beginning Balance	Increases	Decreases	June 30, 2013 Ending Balance
Building	\$ 1,202,643	\$ -	\$ -	\$ 1,202,643
Furniture and fixtures	698,611	-	(26,248)	672,363
Total	1,901,254	-	(26,248)	1,875,006
Less: Accumulated depreciation	(1,155,519)	(69,752)	26,248	(1,199,023)
Capital assets, net	<u>\$ 745,735</u>	<u>\$ (69,752)</u>	<u>\$ -</u>	<u>\$ 675,983</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

(4) **State Retirement Plans:**

(a) **Florida retirement system**—The Station employees participate in the Florida Retirement System (FRS). The 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 Plan 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.

The Pension Plan provides vesting of benefits after six years of creditable service for those enrolled prior to July 1, 2011; for those enrolled on or after July 1, 2011 eight years of creditable service are required for vesting. Regular members are eligible for normal retirement after six years of service and attaining age 62 or 30 years of service regardless of age for those enrolled prior to July 1, 2011 and age 65 or 33 years of service for those enrolled on or after July 1, 2011. Early retirement may be taken at any time after completing the required years of service for vesting; however, there is a 5% benefit reduction for each year prior to normal retirement. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

The Deferred Retirement Option Program (DROP), implemented on July 1, 1998, is a program that allows the employee to retire without terminating employment for up to five years while retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. This was reduced to 1.3% per year for any member whose DROP participation date is effective on or after July 1, 2011. This program is available to eligible members of the Florida Retirement System who are in the FRS Pension Plan. Employee participation in DROP does not change the employee's condition of employment. When the DROP period ends, the employee must terminate employment. At that time, the employee will receive the accumulated DROP benefits and begin receiving monthly retirement benefits. Eligible members may participate in DROP when they are vested and have reached the normal retirement age or years of service. If an employee completes 30 years of service before the age of 57, the employee may elect to defer the DROP election until age 57.

The contribution rates for plan members during the fiscal years ended June 30, 2014 and 2013 are shown below:

	Years ended June 30,	
	2014	2013
Regular	6.95%	5.18%
Senior Management	18.31%	6.30%
Deferred Retirement Option Program	12.84%	5.44%

The Station's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. For the years ended June 30, 2014 and 2013, total contributions were \$21,344 and \$16,379, respectively.

WUWF-FM
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(4) **State Retirement Plans:** (Continued)

(b) **Optional retirement program**—Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program (“Program”) for eligible university faculty 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 ORP 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 are allowed to make an irrevocable election to participate in the ORP rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers.

The Station contributes, on behalf of the participant, 7.34% of the participant’s salary, less a small amount used to cover administrative costs and the employee contributes 3% of the employee’s salary. Additionally, the employee may contribute, by salary reduction, an amount not to exceed the percentage contributed by the Station to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. Required contributions to the ORP during the years ended June 30, 2014 and 2013 were \$13,311 and \$14,582, respectively.

During the fiscal years ended June 30, 2014 and 2013 and as of June 30, 2014 and 2013, the ORP held no securities issued by the University.

(c) **Public employee optional retirement program**—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, Special Risk, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were no participants during the fiscal year ended 2013. Required contributions for the year ended June 30, 2014 were \$4,083.

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.

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(5) Post-Employment Benefits:

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2013-2014 fiscal year, the HIS program was funded by required contributions consisting of 1.11% assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in the State Retirement Plans footnote above. Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2013-14 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the Station 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. As the Station is a department of the University, any other post-employment benefit liability is reported by the University.

(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 2013-14 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 \$50 million for named wind and flood through February 15, 2014, and increased to \$54 million starting February 16, 2014. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; 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.

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(6) **Risk Management Programs:** (Continued)

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.

(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 \$408,998 and \$390,731 at June 30, 2014 and 2013, 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 \$262,826 and \$227,989 at June 30, 2014 and 2013, 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 8% and 9%, Florida DOE provided 14% and 0%, and the University provided approximately 42% and 50% in cash support and donated facilities during the years ended June 30, 2014 and 2013, respectively.

(d) **Accounts, grants and pledges receivable**—The Station has grants and accounts receivable of \$10,770 and \$21,142 at June 30, 2014 and 2013, respectively. The Station has no policy requiring collateral or other security to support these amounts.

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(8) **Compensated Absences:**

Compensated absences liability activity for the years ended June 30, 2014 and 2013, was as follows:

<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount Due</u> <u>Within 1 Year</u>
\$ 139,582	\$ 90,957	\$ 86,643	\$ 143,896	\$ 6,982
<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount Due</u> <u>Within 1 Year</u>
\$ 149,515	\$ 85,133	\$ 95,066	\$ 139,582	\$ 9,223

(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:

<u>Year of Grant</u>	<u>Grants</u> <u>Received</u>	<u>Expended</u>			<u>Uncommitted</u> <u>Balance at</u> <u>June 30, 2014</u>
		<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	
2011-13	\$ 175,687	\$ 49,116	\$ 90,619	\$ 35,952	\$ -
2012-14	\$ 164,559	\$ -	\$ 34,812	\$ 110,477	\$ 19,270
2013-15	\$ 166,036	\$ -	\$ -	\$ 34,548	\$ 131,488

(10) **Operating Lease:**

The Station leases a tower under an operating lease that expires January 31, 2018. Rent expense for the years ended June 30, 2014 and 2013, was \$19,724 and \$19,162, respectively.

Minimum future rental payments under the noncancellable operating lease having a remaining term in excess of one year as of June 30, 2014, for each of the remaining years are:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 19,860
2016	19,860
2017	19,860
2018	11,585
2019	-

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(11) **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 \$1,929,126 and \$1,536,576 for the years ended June 30, 2014 and 2013, respectively.

SUPPLEMENTAL INFORMATION

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014 WITH SUMMARIZED
INFORMATION FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				Supporting Services				Total Expenses	2013 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	\$ 394,166	\$ 75,387	\$ 52,440	\$ 521,993	\$ 139,124	\$ 130,314	\$ 31,608	\$ 301,046	\$ 823,039	\$ 655,774
Professional services	69,267	75,415	-	144,682	24,158	10,082	-	34,240	178,922	86,951
Donated facilities and administrative support from the University of West Florida	101,297	58,633	39,088	199,018	74,601	78,177	39,089	191,867	390,885	367,507
Office supplies	4,515	18,664	591	23,770	1,171	9,298	-	10,469	34,239	27,389
Telephone and utilities	888	52,513	42	53,443	537	-	-	537	53,980	51,673
Postage and freight	1,153	764	3,261	5,178	34	2,633	-	2,667	7,845	5,269
Advertising	-	-	65	65	327	-	-	327	392	294
Repairs and maintenance of equipment	5,703	942	-	6,645	-	-	-	-	6,645	10,536
Printing and publications	289	1,330	115	1,734	258	9,847	-	10,105	11,839	8,296
Travel and training	16,347	870	418	17,635	2,862	3,131	-	5,993	23,628	8,099
Operating supplies	13,576	21	-	13,597	-	1,084	-	1,084	14,681	923
Programming	359,108	-	-	359,108	-	-	-	-	359,108	336,975
Subscriptions and fees	16,533	600	181	17,314	2,093	48,474	-	50,567	67,881	68,891
Depreciation	20,780	48,486	-	69,266	-	-	-	-	69,266	69,751
	<u>\$ 1,003,622</u>	<u>\$ 333,625</u>	<u>\$ 96,201</u>	<u>\$ 1,433,448</u>	<u>\$ 245,165</u>	<u>\$ 293,040</u>	<u>\$ 70,697</u>	<u>\$ 608,902</u>	<u>\$ 2,042,350</u>	<u>\$ 1,698,328</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, 2014, 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 January 12, 2015.

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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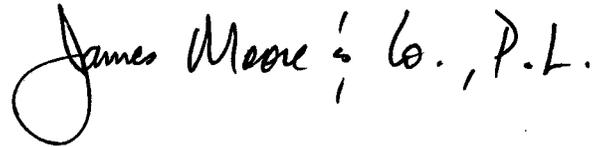
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Compliance and Other Matters

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.

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 12, 2015

January 12, 2015

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, 2014 and 2013, and have issued our report thereon dated January 12, 2015. 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 27, 2014, 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.

We have provided our comments regarding material weaknesses and other matters noted during our audit in a separate letter to you dated January 12, 2015.

Planned Scope and Timing of the Audit

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

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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.

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, 2014. 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 estimate affecting the financial statements is:

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.

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. Management has corrected all identified misstatements.

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 letter dated January 12, 2015.

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

JAMES MOORE & CO., P.L.



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WUWF Public Media
University of West Florida
1100 University Tower Bldg. 08
Pensacola, FL 32514

January 12, 2015

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, 2014 and 2013 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 27, 2014, for the preparation and fair presentation of the financial statements of the various opinion units referred to above 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.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.

- We have reviewed, approved, and taken responsibility for the financial statements and related notes. We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 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.
- 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.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (FASB Accounting Standards Codification TM (ASC) 450, Contingencies), and we have not consulted a lawyer concerning litigation, claims, or assessments.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and GASB Statement No. 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus as amended, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.

- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- 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.
 - We acknowledge our responsibility to include the auditor’s report on schedule of functional expenses in any document containing the schedule of functional expenses and that indicates the auditor reported on such schedule of functional expenses.
 - We acknowledge our responsibility to present the schedule of functional expenses with the audited financial statements or, if the schedule of functional expenses will not be presented with the audited financial statements, to 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.
- In regards to the drafting of the financial statements performed by you, we have—
 - Made all management decisions and performed all management functions.
 - Designated an individual with suitable skill, knowledge, or experience to oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.
- As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

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,⁷ 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 is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
- 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: EXECUTIVE DIRECTOR

Duke C. Pitt
 Asst. Controller

**UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS**

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

**UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
JUNE 30, 2014 AND 2013
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INDEPENDENT AUDITORS' REPORT

The Board of Trustees,
University of West Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of West Florida Department of Intercollegiate Athletics, which comprise the statement of financial position as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise University of West Florida Department of Intercollegiate Athletics's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

University of West Florida Department of Intercollegiate Athletics'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

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

- 1 -

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Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial net position of the University of West Florida Department of Intercollegiate Athletics (the Department) as of June 30, 2014 and 2013, and the changes in financial net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements of the University of West Florida Department of Intercollegiate Athletics are intended to present the financial net position, changes in financial net position and cash flows of only that portion of The University of West Florida that is attributable to the transactions of University of West Florida Department of Intercollegiate Athletics. They do not purport to, and do not, present fairly the financial position of the University of West Florida, as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2014, on our consideration of the University of West Florida Department of Intercollegiate Athletics internal control over financial reporting and 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 the University of West Florida Department of Intercollegiate Athletics' internal control over financial reporting and compliance.



Gainesville, Florida
December 23, 2014

**UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013**

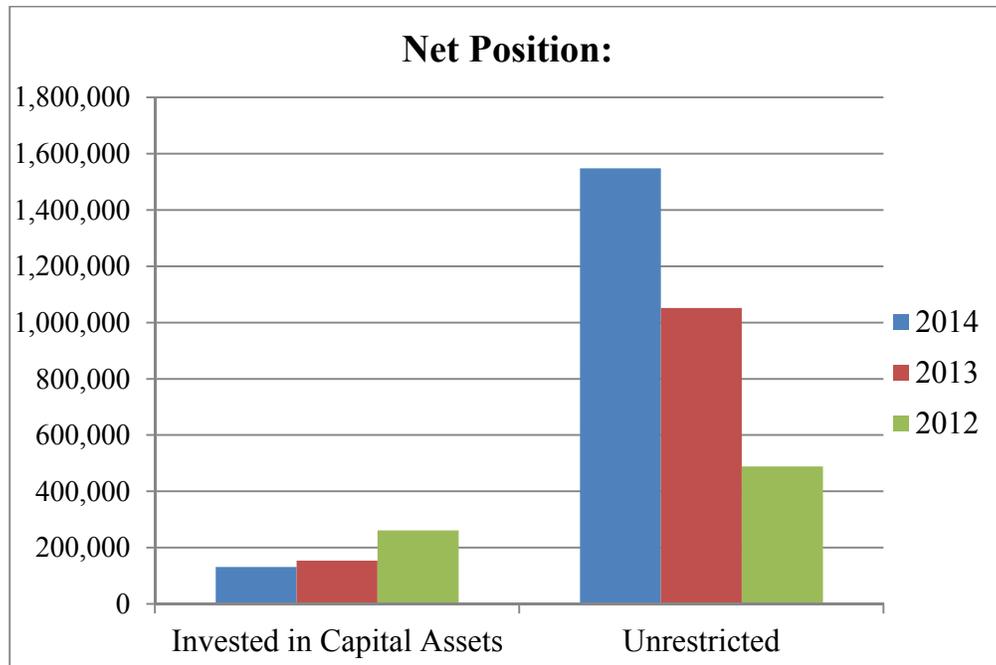
The management's discussion and analysis (MD&A) of the University of West Florida's Department of Intercollegiate Athletics (The Department) financial statements provides an overview of the Department's financial position and activities for the fiscal years ended June 30, 2014 and June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB 35, the Department's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

FINANCIAL HIGHLIGHTS

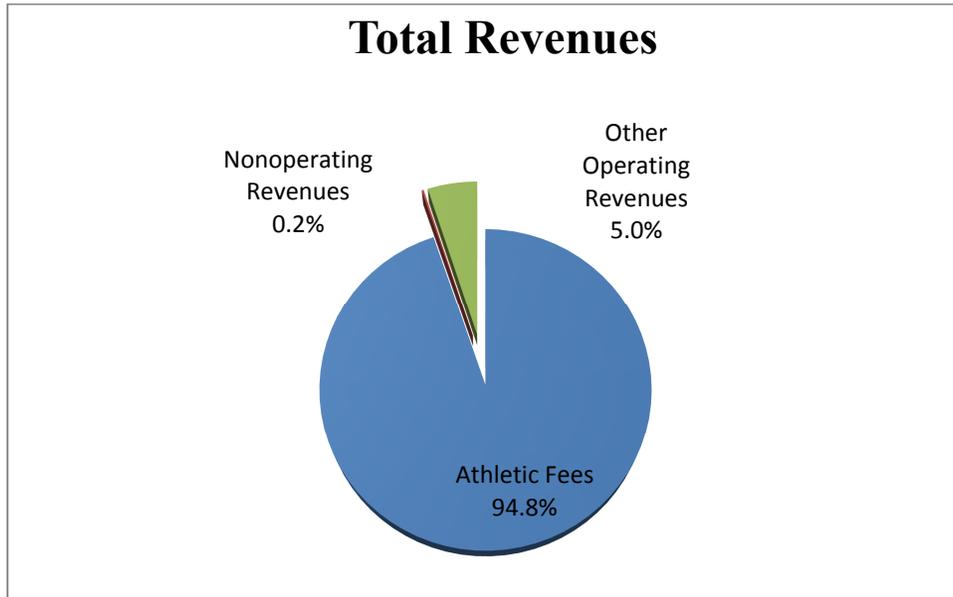
The Department's net position by category at June 30, 2014, 2013, and 2012 are shown in the following chart:



Unrestricted Net Position increased by \$496,483 during fiscal year ended June, 30 2014 predominantly due to University Scholarship Support included in the Student Athletic Fees revenues.

**UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013
(Continued)**

The following chart provides a graphical presentation of the Department's revenues by category for the fiscal year ended June 30, 2014:



The economic position of the Department is closely tied to enrollment. For the fiscal year ended June 30, 2014, fee revenues comprised approximately 94.8 percent of the Department's total operating and nonoperating revenues and were the largest source of funding. Nonoperating revenues, comprising two-tenths of a percent of total revenue, came primarily from State appropriations with the purpose of supporting operating expenses.

In the fiscal year ended June 30, 2014, the Department's revenues and other support exceeded expenses, resulting in an increase in net position of \$474,161. Revenue from student athletic fees rose from \$6,157,609 in 2013 to \$6,935,679 in 2014 primarily due to additional University support in the form of scholarship while total other revenue remained relatively stable. Total operating expenses increased from \$6,532,239 in 2013 to \$7,187,785 in 2014. Personnel services rose from \$2,239,993 to \$2,679,115, and scholarship expenditures rose from \$1,949,524 to \$2,302,207. The remaining expenditures slightly decreased due primarily to less money spent on travel, food, advertising, general operating supplies, other contractual services, game guarantees, printing charges, and clothing.

In the fiscal year ended June 30, 2013, the Department's revenues and other support exceeded expenses, resulting in an increase in net position of \$375,857. Revenue from student athletic fees rose from \$5,455,243 in 2012 to \$6,157,609 in 2013 due to an increase in athletic fees and enrollment while total other revenue remained relatively stable. Total operating expenses increased from \$5,803,132 in 2012 to \$6,532,239 in 2013. Personnel services rose from \$1,925,042 to \$2,239,993, and scholarship expenditures rose from \$1,800,328 to \$1,949,524. The remaining increase in expenditures was due primarily to more money spent on travel, food, advertising, general operating supplies, other contractual services, game guarantees, printing charges, and clothing.

**UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013**

**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 report information on the Department and on its activities in a way that helps the reader determine if the Department 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. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the Department's operating results.

These two statements report the Department's net position and changes in them. The Department's net position amount, the difference between assets and liabilities, is one way to measure the Department's financial health or financial position. Over time, increases or decreases in the Department'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 the National Collegiate Athletic Association (NCAA) funding, NCAA ranking, student enrollment and retention, recruitment, condition of facilities and sponsorships—should be considered in assessing the overall health of the Department.

The 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 the Department 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 Department at a certain point in time. The statement of net position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), 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 the Department. They are also able to determine how much the Department 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 the Department. Net position for the Department are classified as either invested in capital assets or unrestricted. Unrestricted net position are available for any lawful purpose.

**UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013**

The following table summarizes the Department's assets, liabilities, and net position at June 30:

Condensed Statements of Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current Assets	\$ 2,061,092	\$ 1,444,764	\$ 1,120,043
Capital Assets, Net	<u>131,173</u>	<u>153,495</u>	<u>147,156</u>
Total Assets	<u>2,192,265</u>	<u>1,598,259</u>	<u>1,267,199</u>
Liabilities			
Current Liabilities	104,500	74,666	99,391
Noncurrent Liabilities	<u>408,891</u>	<u>318,880</u>	<u>338,952</u>
Total Liabilities	<u>513,391</u>	<u>393,546</u>	<u>438,343</u>
Net Position			
Invested in Capital Assets	131,173	153,495	147,156
Unrestricted	<u>1,547,701</u>	<u>1,051,218</u>	<u>681,700</u>
Total Net Position	<u>\$ 1,678,874</u>	<u>\$ 1,204,713</u>	<u>\$ 828,856</u>
Increase in Net Position	<u>\$ 474,161</u>	<u>\$ 375,857</u>	<u>\$ 79,249</u>

Current Assets increased from \$616,328 for fiscal year ended June 30, 2014, and increased \$324,721 for fiscal year ended June 30, 2013 due to an increase in cash related to positive net operating margins and offset by a slight increase in liabilities. Net depreciable capital assets decreased by \$22,322 due to depreciation expense of equipment for fiscal year ended June 30, 2014. Net depreciable capital assets increased \$6,339 for the fiscal year ended June 30, 2013, due to the acquisitions of equipment.

Changes in total net position as presented on the statement of net position are based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement of revenues, expenses, and changes in net position is to present the revenues received, both operating and nonoperating, and the expenses paid, both operating and nonoperating, and any other revenues, expenses, gains, and losses received or incurred by the Department.

Operating revenues are received for providing goods and services to the various customers and constituencies of the Department. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Department. Nonoperating revenues are revenues received for which goods and services are not provided. For example, State appropriations are nonoperating because they are provided by the Legislature without the Legislature directly receiving commensurate goods and services for those revenues.

**UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013**

A summary of revenues and expenses of the Department for the fiscal years ended June 30, 2014, 2013, and 2012 is presented in the following table:

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues	\$ 7,312,266	\$ 6,553,659	\$ 5,816,189
Operating Expenses	(7,187,785)	(6,532,239)	(5,803,132)
Operating Income	124,481	21,420	13,057
Nonoperating Revenues	349,680	354,437	66,192
Excess of Revenues over Expenses	474,161	375,857	79,249
Net Position, Beginning of Year	1,204,713	828,856	702,290
Net Position, End of Year	<u>\$ 1,678,874</u>	<u>\$ 1,204,713</u>	<u>\$ 781,539</u>

Student athletic fees of \$6,935,679, \$6,157,609, and \$5,455,243 for 2014, 2013, and 2012 respectively, are included in operating revenues and are shown at gross amounts received.

The Department's operating expenses by natural classification for the fiscal years ended June 30, 2014, 2013, and 2012 are presented in the following table:

Operating Expenses

<u>Natural Classification</u>	<u>2014</u>	<u>Percent</u>	<u>2013</u>	<u>Percent</u>	<u>2012</u>	<u>Percent</u>
Personnel Services	\$ 2,679,115	37%	\$ 2,239,993	34%	\$ 1,925,042	34%
Athletic Scholarships	2,222,323	31%	1,876,340	28%	1,695,624	29%
Other Scholarships	79,884	1%	73,184	1%	104,704	2%
Travel	680,990	9%	719,324	11%	542,278	9%
Depreciation	36,857	1%	35,772	2%	26,758	1%
Other Operating Expenses	1,488,616	21%	1,587,626	24%	1,508,726	25%
Total	<u>\$7,187,785</u>	<u>100%</u>	<u>\$6,532,239</u>	<u>100%</u>	<u>\$5,803,132</u>	<u>100%</u>

Personal Services increased by \$439,122 for the fiscal year ended June 30, 2014, as the full effect of the April 2013 2% pay increase was recognized in fiscal year 2013-14 along with a \$1,000 to \$1,400 across the board increase in October 2013, a \$500 bonus in December 2013, and increases in Other Post-Employment Benefit costs.

**UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013**

THE STATEMENT OF CASH FLOWS

Another important factor to consider when evaluating the Department's financial viability is its ability to meet its financial obligations as they become due. The statement of cash flows helps in this evaluation. The statement of cash flows presents information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities. The statement of cash flows also helps users assess:

- The Department's ability to generate future net cash flows.
- The need for external financing.

A summary of the Department's cash flows for the fiscal years ended June 30, 2014, 2013, and 2012 is presented in the following table:

Condensed Statements of Cash Flows

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash Provided by (Used in):			
Operating Activities	\$ 243,265	\$ 92,259	\$ (25,087)
Noncapital Financing Activities	337,890	337,890	137,890
Capital and Related Financing Activities	(14,535)	(42,111)	(6,500)
Investing Activities	<u>11,790</u>	<u>16,547</u>	<u>22,072</u>
Net Increase in Cash and Cash Equivalents	578,410	404,585	128,375
Cash and Cash Equivalents, Beginning of the Year	<u>1,360,151</u>	<u>955,566</u>	<u>827,191</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 1,938,561</u></u>	<u><u>\$ 1,360,151</u></u>	<u><u>\$ 955,566</u></u>

The primary cash receipts from operating activities consist of student athletic fees. Primary cash outlays include payment of salaries, benefits, supplies, travel expenses, and scholarships.

State appropriations are the primary source of noncapital financing inflows. During fiscal year June 30, 2013 the state appropriations increased by \$200,000.

CONTACTING MANAGEMENT

This financial narrative is designed to provide the reader with a general overview of the University of West Florida's Department of Intercollegiate Athletics finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the University of West Florida, Office of Financial Services:

University of West Florida
Attn: Financial Services
11000 University Parkway
Bldg 20-E, Room 108-E
Pensacola, FL 32514
850-474-2759

**UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 1,938,561	\$ 1,360,151
Accounts receivable, net of allowance for doubtful accounts of \$9,848 and \$9,072 at June 30, 2014 and 2013, respectively	70,618	77,512
Due from other funds	1,952	3,459
Prepaid expenses	49,961	3,642
Total current assets	<u>2,061,092</u>	<u>1,444,764</u>
Capital assets, net of accumulated depreciation of \$253,665 and \$214,696 in 2014 and 2013, respectively	131,173	153,495
Total Assets	<u>2,192,265</u>	<u>1,598,259</u>
<u>Liabilities</u>		
Current Liabilities		
Accounts payable	16,603	13,229
Accrued expenses	63,613	39,112
Compensated absences, current	24,284	22,325
Total current liabilities	<u>104,500</u>	<u>74,666</u>
Noncurrent Liabilities		
Compensated absences, less current portion	408,891	318,880
Total Liabilities	<u>513,391</u>	<u>393,546</u>
<u>Net Position</u>		
Net Position		
Invested in capital assets, net of related debt	131,173	153,495
Unrestricted	1,547,701	1,051,218
Total Net Position	<u>\$ 1,678,874</u>	<u>\$ 1,204,713</u>

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

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Student athletic fees	\$ 6,935,679	\$ 6,157,609
Sales and services of auxiliary enterprises	14,268	21,573
Other operating revenue	362,319	374,477
Total revenues	<u>7,312,266</u>	<u>6,553,659</u>
 Operating Expenses		
Personnel services	2,679,115	2,239,993
Athletic scholarships	2,222,323	1,876,340
Other scholarships	79,884	73,184
Travel	680,990	719,324
Depreciation	36,857	35,772
Other	1,488,616	1,587,626
Total expenses	<u>7,187,785</u>	<u>6,532,239</u>
 Operating Income	<u>124,481</u>	<u>21,420</u>
 Nonoperating Revenues		
State appropriations	337,890	337,890
Interest income	11,790	16,547
Total nonoperating revenues	<u>349,680</u>	<u>354,437</u>
 Excess of Revenues over Expenses	<u>474,161</u>	<u>375,857</u>
 Net Position, beginning of year	1,204,713	828,856
 Net Position, end of year	<u>\$ 1,678,874</u>	<u>\$ 1,204,713</u>

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

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Student athletic fees	\$ 6,935,679	\$ 6,157,609
Sales and services of auxiliary enterprises	14,268	21,573
Other operating receipts	370,720	454,476
Payments to employees	(2,562,644)	(2,240,096)
Payments to suppliers for goods and services	(2,212,551)	(2,351,779)
Payments to students for scholarships	(2,302,207)	(1,949,524)
Net cash provided by operating activities	<u>243,265</u>	<u>92,259</u>
Cash Flows from Noncapital Financing Activities		
State Appropriations	<u>337,890</u>	<u>337,890</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of fixed assets	<u>(14,535)</u>	<u>(42,111)</u>
Cash Flows from Investing Activities		
Interest income	11,790	16,547
Increase in Cash and Cash Equivalents	<u>578,410</u>	<u>404,585</u>
Cash and Cash Equivalents, beginning of year	1,360,151	955,566
Cash and Cash Equivalents, end of year	<u>\$ 1,938,561</u>	<u>\$ 1,360,151</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 124,481	\$ 21,420
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	36,857	35,772
Changes in assets and liabilities:		
Accounts receivable, net	6,894	81,911
Due from other funds	1,507	(1,912)
Prepaid expenses	(46,319)	(135)
Accounts payable and accrued expenses	27,875	(41,103)
Compensated absences	91,970	(3,694)
Net cash provided by operating activities	<u>\$ 243,265</u>	<u>\$ 92,259</u>

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

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the University of West Florida Department of Intercollegiate Athletics (the Department), which affect significant elements of the accompanying basic financial statements.

Reporting Entity

The Department is an auxiliary enterprise of the University of West Florida (the University) located in Pensacola, Florida and conducts various intercollegiate athletic programs. The University is part of the State University System of Florida and is governed by the University's Board of Trustees consisting of thirteen members. The Governor appoints six citizen members, and the State's 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 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 Florida Law, State Board of Education rules, and the Board of Governors regulations. The Trustees select the University President, and the State Board of Education ratifies the candidate selected. 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.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations, the nature and significance whose relationships with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Basis of Presentation

The Department's accounting policies conform to accounting principles generally accepted in the United States of America applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB).

In November 1999, the Governmental Accounting Standards Board issued GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. This Statement includes public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

UNIVERSITY OF WEST FLORIDA
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GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements

Basis of 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 measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

As stated previously, the Department follows the reporting guidelines of the University. The financial statements of the Department include those economic resources of the University that are expendable for operational purposes in performing the primary objectives of the Department. The financial statements of the Department do not purport to present the financial position or results of operations of the University as a whole. A portion of the Department is, however, accounted for and reported by the University of West Florida Foundation, Inc. (Foundation), which is a separate legal entity.

The Statement of Net Position is presented in a classified format to distinguish between current and noncurrent assets and liabilities.

The Statement of Revenues, Expenses and Changes in Net Position is presented by major sources and is reported at gross amounts received.

The Statement of Cash Flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Nonexpendable Trust Funds*.

Cash and Cash Equivalents

The amount reported as cash and cash equivalents consists of cash on hand and cash in demand accounts. 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.

UNIVERSITY OF WEST FLORIDA
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Accounts Receivable

Accounts receivable are stated at their net realizable value. Based on its assessment of the credit history of organizations and individuals with outstanding balances, management has concluded that realization of losses on balances outstanding at year end will be immaterial.

Capital Assets

Capital assets of the Department consist of 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. Depreciation is computed on the straight-line basis over the following estimated useful lives of the assets.

- Furniture and Equipment – 5 to 20 years
- Computer Software – 5 years

Income Taxes

The Department is an auxiliary enterprise of the University, which is a part of the State University System of Florida. Accordingly, substantially all income generated by the Department is exempt from federal and state income taxes.

Athletic Fees

The University charges an athletic fee to students for each semester enrolled and for each enrolled credit hour. Athletic fees for semesters which cross fiscal years are recognized during the year in which the semester is predominantly conducted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Department to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Sales Tax on Athletic Event Tickets

In accordance with Chapter 1006, Section 71, Florida Statutes, the Department retains an amount equal to the sales taxes collected from ticket sales to athletic events for use in the support of women's athletic programs.

Net Position

Net position are classified and displayed in three components:

UNIVERSITY OF WEST FLORIDA
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NOTES TO FINANCIAL STATEMENTS
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- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- Restricted – consists of net 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 provision or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted – consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the Department’s policy to use the restricted resources first, followed by the use of the unrestricted resources as they are needed.

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2014, all of the Department’s cash and cash equivalents were held with the University’s pooled funds. At June 30, 2014 and 2013, the carrying amount and fair value of the Department’s cash and cash equivalents were \$1,938,561 and \$1,360,151, respectively.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following amounts at June 30:

	2014	2013
University of West Florida	\$ 68,849	\$ 80,016
Other	11,617	6,568
Total	80,466	86,584
Less: Allowance for doubtful accounts	(9,848)	(9,072)
Accounts receivable, net	\$ 70,618	\$ 77,512

The Department has no policy requiring collateral or other security to support its accounts receivable.

NOTE 4 – COMPENSATED ABSENCES

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors’ Regulation 6C-5.920 *Benefits and Hours of Work* and bargaining agreements. Leave earned is accrued to the credit of the employee, and records are kept on each employee’s unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. Consequently, the recording of a liability for compensated absences without the corresponding recognition of such future resources results in a reduction of current year net position.

UNIVERSITY OF WEST FLORIDA
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At June 30, 2014 and 2013, the estimated liability for compensated absences was \$433,175 and \$341,205, respectively. The current compensated absences liability, totaling \$24,284 and \$22,325 at June 30, 2014 and 2013, respectively, is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

Changes in the liability for compensated absences for the years ended June 30, 2014 and 2013 were as follows:

<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
\$ 341,205	\$ 157,526	\$ 65,556	\$ 433,175	\$ 24,284

<u>Beginning Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2013</u>	<u>Current Portion</u>
\$ 344,899	\$ 90,252	\$ 93,946	\$ 341,205	\$ 22,325

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance 07/01/13</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance 06/30/14</u>
Capital assets being depreciated:				
Furniture and fixtures	\$ 48,366	\$ 8,961	\$ -	\$ 57,327
Equipment	319,825	18,686	11,000	327,511
Total capital assets being depreciated	368,191	27,647	11,000	384,838
Less: Accumulated depreciation	214,696	49,969	11,000	253,665
Total capital assets, net	<u>\$ 153,495</u>	<u>\$ (22,322)</u>	<u>\$ -</u>	<u>\$ 131,173</u>

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Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance 07/01/12	Additions	Decreases	Balance 06/30/13
Capital assets being depreciated:				
Furniture and fixtures	\$ 48,366	\$ -	\$ -	\$ 48,366
Equipment	277,715	42,110		319,825
Total capital assets being depreciated	326,081	42,110	-	368,191
Less: Accumulated depreciation	178,924	35,772	-	214,696
Total capital assets, net	<u>\$ 147,157</u>	<u>\$ 6,338</u>	<u>\$ -</u>	<u>\$ 153,495</u>

NOTE 6 – THE UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

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 University. The Foundation expends significant resources for, or on behalf of, the Department. The other revenues category on the Statements of Revenues, Expenses and Changes in Net Position includes revenue from the Foundation in the amount of \$77,641 and \$108,886 for the fiscal years ended June 30, 2014 and 2013, respectively. Revenues and expenditures for, or on behalf of, the Department that do not flow through the accounts of the University are not included in the records of the Department but rather are included in the Foundation's separate, audited financial statements.

Although the Foundation is chartered as a private nonprofit organization, it operated solely for the benefit of the University and its mission of teaching, research, and service. It serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. It does not serve any private causes but benefits the public generally.

NOTE 7 – 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

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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.

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, 2014 and June 30, 2013, the employing university contributed on behalf of the participant 7.34 and 5.64 percent, respectively, of the participant's salary, less a small amount used to cover administrative costs 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.

UNIVERSITY OF WEST FLORIDA
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Disclosures pertaining to the University's retirement plans that are required by Statement No. 27 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2014 and 2013. The Department's contributions to the plans for the years ended June 30, 2014 and 2013 were \$121,193 and \$81,775, respectively.

NOTE 8 – POSTEMPLOYMENT HEALTHCARE 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.

NOTE 9 – RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, student medical insurance, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care 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.

Medical insurance coverage for the Department's student athletic programs is provided through purchased commercial insurance. Student medical insurance is only to cover student athletes' medical injuries during participation in athletic events.

**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 the University of West Florida Department of Intercollegiate Athletics (the "Department") as of and for the year ended June 30, 2014, and related notes to the financial statements which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of 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.

James Moore & Co., P.L.

Tallahassee, Florida
December 23, 2014

December 23, 2014

To the Finance Committee,
University of West Florida Athletics Department of
Intercollegiate Athletics

We have audited the financial statements of Florida State University Department of Intercollegiate Athletics (the Department) as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated December 23, 2014. 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 17, 2014, our responsibility, as described by professional standards, is to form and express an opinion(s) 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 your 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 Department of Intercollegiate Athletics the Department solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also 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.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

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 the Department is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the years ended June 30, 2014 and 2013. 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 was:

Management's estimate of the 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.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the 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 and each applicable opinion unit. Management has corrected all identified misstatements.

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 or applicable opinion units.

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 the Department's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated December 23, 2014.

Management's Consultations with Other Accountants

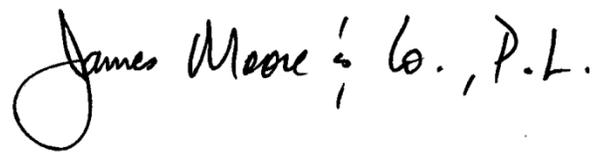
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

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

This report is intended solely for the information and use of management and the Department 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 black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, prominent loop at the beginning of the word "James".

JAMES MOORE & CO., P.L.

December 23, 2014

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 financial statements of University of West Florida Athletics Department of Intercollegiate Athletics (the Department), which comprise the statement of financial position as of June 30, 2014 and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance 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 that, 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 December 23, 2014.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 17, 2014.
- 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.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

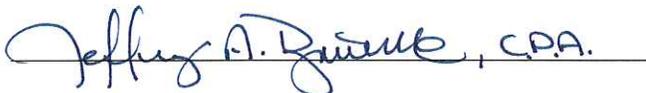
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, GASB Statement No. 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus as amended, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- 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.

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, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - 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 Department 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 Department's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the Department'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.
- The Department 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 the Department is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - The Department 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.
- Except as made know to you and disclosed in the notes to the financial statements, the Department has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- Required supplementary information (MD&A) is measured and presented within the prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information.
- We understand that as part of your audit, you prepared the adjusting journal entries necessary to convert our cash basis records to the accrual basis of accounting and acknowledge that we have reviewed and approved those entries and accepted responsibility for them.



Jeffrey A. Djerlek, CPA, Assistant Controller



Delma Cotsonis, Business Manager

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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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, 2014 and 2013, and the related statements of activities, 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.

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Since 1944

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, 2014 and 2013, 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 schedules of general and administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 September 23, 2014, 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
September 23, 2014

NOTES TO FINANCIAL STATEMENTS

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	2014	2013
Cash	\$ 4,262,855	\$ 5,418,203
Restricted cash held by trustee	8,668,292	-
Grants, contracts, and other receivables	2,130,008	1,757,413
Prepaid expenses	122,347	99,919
Property and equipment, net	7,219,949	6,742,734
Other assets	90,597	28,512
Total Assets	\$ 22,494,048	\$ 14,046,781

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 457,371	\$ 146,974
Accrued payroll and related liabilities	253,699	296,621
Accrued interest	94,200	-
Refundable advances	55,713	8,081
Long-term debt	12,000,000	3,757,070
Total liabilities	12,860,983	4,208,746

Commitments and Contingencies

--

Net Assets:

Unrestricted	9,610,453	9,771,317
Temporarily restricted	22,612	66,718
Total net assets	9,633,065	9,838,035

Total Liabilities and Net Assets

\$ 22,494,048 **\$ 14,046,781**

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, 2014 AND 2013

	2014	2013
Change in Unrestricted Net Assets:		
Support, Revenue and Reclassifications:		
Research and development grants and contracts -		
Federal and pass-through grants	\$ 6,623,497	\$ 4,562,638
Other grants and contracts	3,261,764	5,027,897
Legislative appropriation	3,176,739	3,169,404
Contributions	196,514	897,645
Other revenue	35,069	41,772
Net assets released from restrictions	82,918	608,857
	13,376,501	14,308,213
Expenses:		
Program services -		
Research and development grants and contracts	11,258,223	10,338,493
Other program services	113,456	75,600
Total program services	11,371,679	10,414,093
Supporting services -		
Fundraising services -		
Salaries and employee benefits	7,312	7,261
Other fundraising expenses	203	26,630
	7,515	33,891
General and administrative	2,719,873	2,126,115
Total supporting services	2,727,388	2,160,006
Total expenses	14,099,067	12,574,099
Excess (deficiency) of support, revenue and reclassifications over expenses	(722,566)	1,734,114
Other Item:		
Insurance proceeds	561,702	-
Change in unrestricted net assets	(160,864)	1,734,114

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, 2014 AND 2013
(Continued)

	<u>2014</u>	<u>2013</u>
Change in Temporarily Restricted Net Assets:		
Contributions	38,812	57,325
Net assets released from restrictions	<u>(82,918)</u>	<u>(608,857)</u>
Change in temporarily restricted net assets	<u>(44,106)</u>	<u>(551,532)</u>
Change in Net Assets	(204,970)	1,182,582
Net Assets, Beginning of Year	<u>9,838,035</u>	<u>8,655,453</u>
Net Assets, End of Year	<u><u>\$ 9,633,065</u></u>	<u><u>\$ 9,838,035</u></u>

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, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ (204,970)	\$ 1,182,582
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation and amortization	571,400	500,302
Gain on sale of property and equipment	(9,095)	-
Loss on uncollectible unrestricted pledges	6,773	-
Changes in operating assets and liabilities -		
Grants, contracts, and other receivables	(379,368)	467,456
Prepaid expenses	(22,428)	(26,478)
Other assets	(4,000)	-
Accounts payable	310,397	(175,305)
Accrued payroll and related liabilities	(42,922)	10,386
Accrued interest	94,200	-
Refundable advances	47,632	(115,775)
Net cash provided by operating activities	367,619	1,843,168
Cash Flows From Investing Activities:		
Proceeds from sale of property and equipment	9,095	-
Purchases of property and equipment	(1,024,729)	(280,145)
Net cash used in investing activities	(1,015,634)	(280,145)
Cash Flows From Financing Activities:		
Proceeds from note issuance	3,969,908	-
Principal payments of note payable	(3,757,070)	(115,050)
Debt service payments to trustee	(638,200)	-
Debt issuance costs	(81,971)	-
Net cash used in financing activities	(507,333)	(115,050)
Net Increase (Decrease) in Cash	(1,155,348)	1,447,973
Cash at Beginning of Year	5,418,203	3,970,230
Cash at End of Year	\$ 4,262,855	\$ 5,418,203
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 247,641	\$ 169,218
Supplemental Disclosure of Non-Cash Financing Activities:		
Undisbursed debt proceeds held by trustee	\$ 8,030,092	\$ -

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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:

Permanently restricted net assets are subject to donor-imposed stipulations that 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. IHMC had no permanently restricted net assets at June 30, 2014 and 2013.

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of IHMC pursuant to those stipulations or that expire by the passage of time.

Unrestricted net assets are not subject to donor-imposed stipulations, or the donor-imposed restrictions have expired. Unrestricted net assets 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.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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. During the years ended June 30, 2014 and 2013, IHMC received an additional \$437,555 and \$430,220, respectively, from the general fund through the University of Central Florida, an affiliated organization.

Contributions:

Contributions are reported as temporarily restricted if the donor limits the use of the donated assets. When the restrictions expire, these temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as *net assets released from restrictions*. Donor-restricted contributions are classified as unrestricted revenues 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.

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, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash:

Restricted cash represents funds held by the note trustee for construction of a new research facility and 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.

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
Furniture and fixtures	5 years
Vehicle	5 years
Robotics	3-5 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.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs:

Advertising costs are expensed when incurred.

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. With few exceptions, IHMC is no longer subject to examination by tax authorities for years before 2011.

Subsequent Events:

Management has evaluated subsequent events through September 23, 2014, the date which the financial statements were available for issue.

NOTE 2 - RESTRICTED CASH HELD BY TRUSTEE

Restricted cash is comprised of the following:

	2014	2013
Undisbursed debt proceeds - construction	\$ 8,030,092	\$ -
Debt service -		
Note principal	544,000	-
Note interest	94,200	-
	\$ 8,668,292	\$ -

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 - GRANTS, CONTRACTS AND OTHER RECEIVABLES

At June 30, 2014 and 2013, amounts due from grantor and other contracting agencies were as follows:

	<u>2014</u>	<u>2013</u>
Research and development grants and contracts -		
Federal and pass-through grants	\$ 1,007,853	\$ 827,187
Other grants and contracts	637,340	896,409
Insurance receivable	473,002	-
Other receivables	<u>11,813</u>	<u>33,817</u>
	<u>\$ 2,130,008</u>	<u>\$ 1,757,413</u>

Management considers all grants, contracts and other receivables at June 30, 2014 and 2013 to be fully collectible; therefore, no allowance for uncollectible accounts has been established.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,142,640	\$ 1,142,640
Buildings	5,717,750	5,717,750
Computers and software	982,905	965,427
Machinery and equipment	931,584	901,785
Robotics	709,324	725,258
Furniture and fixtures	260,903	164,023
Vehicle	-	24,130
Art collection	5,950	5,950
Construction in progress	<u>896,506</u>	<u>-</u>
	10,647,562	9,646,963
Less accumulated depreciation and amortization	<u>3,427,613</u>	<u>2,904,229</u>
	<u>\$ 7,219,949</u>	<u>\$ 6,742,734</u>

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was \$547,514 and \$484,192, respectively.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 4 - PROPERTY AND EQUIPMENT (Continued)

Construction in progress at June 30, 2014 represents certain capitalized costs of \$57,148 for robotics construction, renovation costs for existing buildings of \$197,278, and construction costs of \$642,080 for the new research facility.

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. IHMC capitalized approximately \$266,000 of interest in connection with the construction of the new research facility for the year ended June 30, 2014.

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.

NOTE 5 - OTHER ASSETS

Other assets are comprised of the following:

	2014	2013
Debt issuance costs	\$ 81,971	\$ 103,375
Deposits	12,041	8,041
	94,012	111,416
Less accumulated amortization	3,415	82,904
	\$ 90,597	\$ 28,512

Amortization of debt issuance costs for the years ended June 30, 2014 and 2013 was \$23,886 and \$16,110, respectively.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	2014	2013
\$4,292,500 Industrial Revenue Bonds, Series 2008, due in monthly installments of \$23,689, from June 2008 through April 2015, including interest of 4.43% with a final payment of \$3,545,510 due in May 2015	\$ -	\$ 3,757,070
\$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	12,000,000	-
	\$ 12,000,000	\$ 3,757,070

Maturities of the revenue note are as follows:

<u>Year ending June 30,</u>	
2015	\$ 680,000
2016	656,000
2017	677,000
2018	698,000
2019	720,000
Thereafter	8,569,000
	\$ 12,000,000

In May 2008, the Pensacola-Escambia County Promotion and Development Commission (“the Commission”) issued \$4,292,500 industrial revenue bonds to provide financial assistance to IHMC for the refinance of debt with the University of West Florida Foundation, Inc. The bonds were payable solely from payments received from the underlying financing agreement with a term of 7 years, bearing interest at a rate of 4.43%, and secured by the property financed. Upon repayment of the bonds, ownership of the facilities transfers to IHMC. Pursuant to the financing and leasing agreements, IHMC agreed to make rental payments to the Commission sufficient to pay all principal and interest amounts. IHMC executed and delivered a promissory note to the Commission, who assigned to a Lender all rights to receive payments from IHMC related to these agreements. The Commission had no obligation in any manner for repayment of the bonds. During the year ended June 30, 2014, IHMC refunded the industrial revenue bonds with proceeds from an industrial development revenue note issuance through Escambia County.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 - LONG-TERM DEBT (Continued)

In November 2013, Escambia County, Florida (the “County”), issued \$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 with a term of 15 years, bearing interest at a rate of 3.14%, and secured by a mortgage on IHMC’s land and building. 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, the County disbursed \$3,969,908 to IHMC to refund the Commission’s bonds payable, pay for new debt issuance costs, and pay for architect costs related to the construction of the new research facility. The remaining \$8,030,092 will be disbursed by the County as IHMC incurs construction costs for the new research building.

NOTE 7 - NET ASSETS

Temporarily restricted net assets include contributions restricted by donors 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. Temporarily restricted net assets at June 30, 2014 and 2013 are presented as follows:

	2014	2013
Educational Outreach Youth Programs	\$ 5,001	\$ -
MINA project	15,272	48,217
Other	2,339	18,501
	\$ 22,612	\$ 66,718

NOTE 8 - 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.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 8 - RETIREMENT PLANS (Continued)

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 \$777,593 in 2014 and \$695,231 in 2013.

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 9 - RELATED PARTY TRANSACTIONS

Prior to the creation of IHMC as a separate nonprofit entity, the 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 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.

NOTE 10 - 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, 2014, IHMC had cash balances in excess of insured limits of approximately \$2,519,000.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

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 March 1, 2015. IHMC had no amounts outstanding as of June 30, 2014 and 2013 under the line of credit.

Lease Commitments:

IHMC is leasing four office spaces, one apartment, and a vehicle. The leased property located at 127 South Alcaniz Street, Pensacola, Florida, is dedicated to IHMC's administrative function. This lease expires in September 2016. The leased properties located at 100 South Alcaniz are dedicated to the robot prototype research. Those leases expire in November 2014. The leased property located at 201 East Wright Street is used as a robot lab. This lease expires in December 2014. The leased property located at 44 S. Magnolia Avenue, Ocala, Florida, is personal living space provided to an employee. This lease expires in November 2014. The leased vehicle is used for IHMC's general purpose. This lease expires in March 2015.

Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	
2015	\$ 132,519
2016	56,049
2017	<u>14,115</u>
	<u>\$ 202,683</u>

Rental expense for these leases for the years ended June 30, 2014 and 2013 was \$243,095 and \$173,928, respectively.

Contingencies:

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.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies (Continued):

In July 2008, IHMC received an Economic Incentive Grant for \$550,000 from the Marion County, Florida, Board of County Commissioners (“the County”). The grant funding is to be used at IHMC’s discretion for recruitment, advertising, operations and administration associated with the startup of the research facility in Ocala, Florida. The grant requires IHMC to comply with various conditions for the employment and compensation of employees at the facility through April 2017. Failure to comply with these conditions could result in the return of all or part of the grant funding to the County.

Contractual Commitments:

IHMC has contractual commitments of approximately \$227,000 for construction projects at June 30, 2014.

NOTE 11 - INSURANCE PROCEEDS

In April 2014, IHMC sustained significant flood damage to its facilities due from unprecedented amounts of rainfall. As of June 30, 2014, IHMC received insurance proceeds of \$561,702 reported as an other item in the statement of activities and incurred flood recovery expenses of \$393,686 reported in general and administrative expenses.

SUPPLEMENTARY INFORMATION

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Salaries	\$ 2,474,633	\$ 2,416,310
Payroll taxes	152,996	150,459
Employee benefit programs	383,365	365,679
Administrative travel	128,046	116,595
Meals and entertainment	33,360	29,414
Insurance	141,535	101,830
Legal and professional	433,291	390,915
Occupancy, including in-kind	615,755	503,548
Interest expense	76,406	169,218
Repairs and maintenance	13,794	11,338
Office expenses	168,254	170,184
Telephone	58,141	55,152
Lobbying costs	127,463	118,440
Licenses and fees	10,404	8,398
Memberships and continuing education	36,395	24,829
Employee morale and welfare	22,805	17,323
Other	82,880	47,918
Flood recovery expenses	393,686	-
Depreciation and amortization	571,400	500,302
Indirect applied overhead, payroll taxes and employee benefits	<u>(3,204,736)</u>	<u>(3,071,737)</u>
Total General and Administrative Expenses	<u><u>\$ 2,719,873</u></u>	<u><u>\$ 2,126,115</u></u>

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Federal Expenditures
<u>Research and Development Cluster:</u>			
<u>Office of Naval Research</u>			
VIEWGEN-2: An Integrated Model of Memory, Belief and Mental State Ascription	12.300	N00014-13-1-0225	\$ 165,555
An Agile Computing Approach to a Flexible and Adaptive Information Dissemination System	12.300	N00014-09-1-0012	371
Grounding and Learning in Human-Robot Communication	12.300	N00014-12-1-0547	245,422
Extending Federation and Transport Services for Tactical Network Environments	12.300	N00014-13-1-0548	140,219
Agile Computing Middleware to Support Network-centric Warfare	12.300	N00014-14-1-0203	<u>180,736</u>
Total Office of Naval Research			<u>732,303</u>
<u>Army Research Laboratory</u>			
Extending Agile Computing to Support Battlefield Information Management, Command & Control Data to Decision and Network Science	12.431	W911NF-11-2-0095	415,011
Deep Reading to Understand Mechanisms	12.431	W911NF-14-1-0391	<u>7,411</u>
			<u>422,422</u>
FastRunner: High Speed, Efficient, Dynamically Stable, Bipedal Robot	12.910	W91CRB-11-1-0001	645,162
Atlas GFE Software	12.910	W911NF-11-1-0001	<u>13,761</u>
			<u>658,923</u>
Total Army Research Laboratory			<u>1,081,345</u>

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014
(Continued)

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Federal Expenditures
<u>Department of the Air Force,</u>			
<u>Air Force Research Laboratory</u>			
CUBISM: Conversation Understanding through Belief Interpretation Sociolinguistic Modeling	12.300	FA8750-12-2-0348	1,053,530
Using Human-Machine Teamwork to Perform Disaster Response with a Humanoid Robot	12.300	FA8750-12-1-0316	1,214,390
			<u>2,267,920</u>
Accomplishments of Naturalistic Decision Making Research and Applications to Emerging Defense Challenges	12.800	FA9550-13-1-0021	4,645
The Role of Benevolence in Trust of Autonomous Systems	12.800	FA9550-12-1-0097	358,058
			<u>362,703</u>
Total Department of the Air Force			<u>2,630,623</u>
<u>National Aeronautics and Space Administration,</u>			
<u>NASA Shared Services Center</u>			
Robotic Exoskeleton Development	43.001	NNX12AB59A	169,784
NASA Advanced Concepts for Human Space Exploration	43.003	NNX11AR31A	535,507
NRI LG: Toward Humanoid Avatar Robots for Co-Exploration of Hazardous Environments	43.009	NNX12AP97G	1,346,571
			<u>1,346,571</u>
Total National Aeronautics and Space Administration			<u>2,051,862</u>
<u>National Science Foundation</u>			
RI-Large: Activity Learning and Recognition for a Cognitive Assistant	47.070	IIS-1012205	99,325
			<u>99,325</u>
<u>National Institutes of Health</u>			
<u>Passed through the University of Pittsburgh</u>			
Novel Glaucoma Diagnostics for Structure and Function	93.867	5R01EY013178-14	28,039
			<u>28,039</u>
Total Expenditures of Federal Awards			<u>\$ 6,623,497</u>

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

OTHER REPORTS AND SCHEDULES

**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, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2014.

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
September 23, 2014

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of IHMC’s major federal programs for the year ended June 30, 2014. IHMC’s major federal programs are 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 programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of IHMC’s major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

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

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 each of its major federal programs for the year ended June 30, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida
September 23, 2014

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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 programs are reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for major federal award programs for Florida Institute for Human and Machine Cognition, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major federal programs for Florida Institute for Human and Machine Cognition, Inc. which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included the following:

Research and Development Cluster:

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
Vision Research	CFDA No. 93.867

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014
(Continued)

A. SUMMARY OF AUDITOR'S RESULTS (Continued)

8. The threshold used for distinguishing between Type A and B programs was \$300,000 for major federal programs.
9. Florida Institute for Human and Machine Cognition, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

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 programs which are required to be reported in accordance with OMB Circular A-133.

UWF Board of Trustees Meeting
Audit & Operations Committee
March 3, 2015

Issue: Internal Auditing Update on Activities

Proposed action: Informational

To provide the Committee with an overview of activities within Internal Auditing and Management Consulting.

1. Status of audits in process
2. Status of advisory/consulting activities
3. External Audits performed by outside parties
4. Compliance operation
5. Miscellaneous items

Recommendation: None

Implementation: None

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Prepared by: Cindy Talbert, Interim Director, ctalbert@uwf.edu

Presenter: Cindy Talbert