



**AGENDA**

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

**Audit & Compliance Committee Virtual Meeting via Zoom Webinar  
November 18, 2021**

**University of West Florida  
11000 University Pkwy. Pensacola, FL  
Crosby Hall, Bldg. 10, Rm 224**

*To join this virtual public board meeting, please follow these Zoom Webinar instructions:  
<https://uwf.zoom.us/j/89488690568?pwd=SnFJVE5WQTNPZ2g0MVMxdk5zMUI4UT09> Passcode: 490796*

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

**Chair’s Greeting . . . . . Bob Jones**

**Action Items:**

1. Acceptance of UWF Internal Audit Reports Issued: Campuswide Computer Server Management #20-21 004; and Recreation and Wellness #20-21 006
2. Acceptance of Internal Auditing PCard Audit Reports & Quarter 1 Update (July - September 2021)
3. Acceptance of External Audit of Financial Statements of Direct Support Organization – Business Enterprises, Inc.
4. Acceptance of External Audit of Financial Statements of Direct Support Organization – West Florida Historic Trust, Inc.
5. Approval of BOG Regulation 4.003 External Program Review Requirement

**Information Items:**

1. Office of Compliance & Ethics Update on Activities
2. Internal Auditing & Management Consulting Update on Activities

**Other Committee Business:**

**Adjournment**

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
November 18, 2021

**Issue:** UWF Internal Auditing Reports Issued

**Proposed action:** Acceptance

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**Background information:**

Internal Auditing & Management Consulting completed two audits between August and October 2021: 1) Campuswide Computer Server Management and 2) Recreation and Wellness.

**Campuswide Computer Server Management #20-21\_004**

Our audit period was January 1, 2020 through December 31, 2020. The audit was part of the approved work plan for 2020/21. We issued the audit report on August 19, 2021. The audit's objectives were to evaluate controls over:

- Acquisitions and disposals,
- Physical environment,
- Virtual servers,
- Change management,
- Monitoring and performance, and
- Security.

**Results:**

We found that internal controls over the activities audited were generally strong. We noted one opportunity for improvement. We recommended that ITS develop written procedures describing server standards specifically for Local Support Providers that clearly communicate expectations and best practices.

Management agreed to have this recommendation implemented by February 28, 2022.

**Recreation and Wellness #20-21\_006**

Our audit period was July 1, 2020 through June 30, 2021, and was part of the approved work plan for 2020/21. We issued the audit report on October 7, 2021. The audit's objectives were to evaluate internal controls over:

- Financial activities, contractual agreements, management oversight, safety and security, and activities unique to Recreation and Wellness;
- Compliance with University policies, procedures, and applicable laws; and
- General effectiveness and efficiency of operations.

**Results:**

We noted that internal controls were generally strong; however, we recommended that Recreation and Wellness:

- Collaborate on an agreement with Intercollegiate Athletics and Facilities Management to split field maintenance costs based upon a logical methodology. We also recommended that Recreation and Wellness collaborate on an agreement with Intercollegiate Athletics and Movement Sciences & Health to split facility rental revenue based on a logical methodology;
- Collaborate with General Counsel and Environmental Health & Safety to determine which events, activities, and clients should use written liability waivers, potentially transitioning from six forms to one form;
- Establish a procedure for periodic physical tracking of attractive assets; and
- Implement a procedure to ensure that all revenues for contractual agreements are billed timely in accordance with applicable terms and routinely monitor collections to ensure that they are received in a timely manner.

Management agreed to have all recommendations implemented by May 2022.

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

**Implementation:** None.

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

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**Supporting documents**

20-21\_004 Campuswide Computer Management audit report

20-21\_006 Recreation and Wellness audit report

**Prepared by:** Cindy Talbert, Chief Audit Executive, ctalbert@uwf.edu, 474-2638

**Presenter:** Cindy Talbert



## SCOPE AND OBJECTIVES

We audited Campus-wide Computer Server Management for the period of January 1, 2020 through December 31, 2020. This audit was included as part of our 2019/20 audit work plan, determined by our annual risk assessment. Our objectives were to evaluate internal controls over:

- Acquisitions and disposals,
- Physical environment,
- Virtual servers,
- Change management,
- Monitoring and performance, and
- Security.

Our audit scope included the UWF main campus only. Audit fieldwork began on February 2, 2021, and ended on July 26, 2021. Our audit conforms to the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

## BACKGROUND

A server is a computer or system that provides resources to other computers, known as clients, over a network. Servers can be classified as physical or virtual and may perform numerous different roles, such as facilitating the handling of data storage, emails, hosting web services, and printing. Servers were traditionally represented by a physical machine, however, more often than not new server capacity is added by the creation of virtual servers. A physical server is typically a single server running on a single machine, but a virtual server can allow multiple servers to be hosted on one piece of hardware. Virtual servers can help increase efficiency by enabling more to be done with less hardware. They can be more complex to manage than physical servers, but the same server management principles apply to both. Virtual

servers exist as defined within specialized software called hypervisor.

Each hypervisor can run hundreds, or even thousands, of virtual servers all at once. Migrating to virtual from physical servers represents a huge cost savings. Records from UWF Property reports show that only 32 physical servers are currently tagged and managed by Information Technology Services (ITS), while hundreds of additional virtual servers exist. In addition to virtual servers existing on UWF servers, some areas utilize “cloud servers” provided by external parties, such as Amazon Web Services. Minimal UWF oversight can be provided for such arrangements.

Building 79 houses the Office of Information Technology Services and the Data Center where ITS-managed or hosted servers are located. The Data Center is secured by doors with card swipe access. This access is provided to individuals through the UWF Nautilus Card office, after review and approval by ITS management. Two physical keys also exist, by UWF Police and another locked in an ITS safe.

Infrastructure Services is the area within ITS that is responsible for all servers and enterprise systems residing in the UWF Data Center, as well as the data residing in the remote data vaulting facility. Infrastructure Services also provides central storage capabilities, manages hosted servers and systems, and provides the platform for systems integration and security. The Director of Infrastructure Services/Chief IT Security Officer supervises this area, assisted by a Lead Enterprise Systems Engineer with a staff of three.

Server management is the process of monitoring and maintaining servers to operate at peak performance. Server management also encompasses the



management of hardware, software, security, and backups. The primary goals of an effective server management strategy are to minimize server slowdowns and downtime, build secure server environments, and ensure servers continue to meet the needs of an organization.

All ITS physical server purchases include a warranty. ITS management plans ahead each year by identifying servers nearing the end of their useful life so that funding can be earmarked for replacements. De-commissioned servers are either prepared for disposal or parts are cannibalized for further use.

Critical data on servers are backed up in two locations, both on-site and off-site.

Oversight for some UWF servers has been assigned to departmental representatives known as Local Support Providers (LSPs). This arrangement allows for some flexibility as academic and other areas have unique data and technology needs to be fulfilled. ITS provides guidance as necessary to LSPs and acts as a resource; however, LSPs are supervised by departmental administrators. There are currently 34 LSPs with only 8 of them providing oversight for physical servers as opposed to virtual servers.

### **Notable Strength**

The Lead Enterprise Systems Engineer supervises several of the Infrastructure Services staff members in ITS. Much of our interaction with the department for audit purposes was coordinated through him. We noted during these interactions that he could quickly identify and analyze complex issues, clearly communicated potential resolutions, and had already produced a comprehensive series of written technical documents for use by the infrastructure staff. Upon further inquiry from ITS administration, we found that they emphatically agree on the qualifications and unique credentials of this

employee. They noted that he holds multiple industry technical certificates, is an experienced Server Administrator, and is an expert at scripting languages for automation and programming, among many other skills. ITS is to be commended for recruiting this employee and utilizing his talents in this critical area.

### **AUDIT METHODOLOGY**

We reviewed policies and procedures, job descriptions, website information, and other documentation. Key personnel in ITS were interviewed in order to gain an understanding of activities and to identify key controls. LSPs were surveyed with questions about their practices. Controls were assessed and appropriate audit testing designed and performed based on the risks identified.

### **KEY OBSERVATION**

**We found that internal controls over all processes were generally strong; however, we make the following observation:**

1. ITS has developed numerous technology standards and formalized them in a variety of written procedures. Standards are critical to ensure that persons assigned server management responsibilities adequately protect University data and resources, and engage in best technology practices. Although LSPs generally acknowledged that they should follow ITS procedures, we noted numerous inconsistencies between established standards and practices followed by LSPs. The lack of specific requirements by ITS for departmental technology standards might lead to misunderstandings about which standards they are expected to comply with. This creates the risk that data may not be adequately protected.



**Recommended Management Action**

- |   |   |
|---|---|
| 1. We recommend that ITS develop written procedures describing server standards specifically for LSPs that clearly communicate expectations and best practices. | This might include standards for server setup, patching, configuration, security, and data retention, among others. |
|---|---|

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

Respectfully submitted,

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

**Cynthia Talbert, CFE, CIA, CPA, CRMA**  
**Associate Vice President/Chief Audit Executive**

**REPORT PROVIDED TO THE FOLLOWING:**

- Dr. Martha Saunders, President
- Suzanne Lewis, Chair BOT
- Bob Jones, Chair Audit & Compliance Committee
- Dick Baker, Audit & Compliance Committee
- Jill Singer, Audit & Compliance Committee
- Dr. George Ellenberg, Provost & Sr. Vice President
- Melanie Haveard, ITS Executive Director & CTO
- Geissler Golding, Director of Infrastructure Services
- Jaime Hoelscher, Manager, FL Auditor General
- Ken Danley, Supervisor, FL Auditor General
- Julie Leftheris, BOG Inspector General
- Rebecca Luntsford, BOT Liaison



## **MANAGEMENT RESPONSE TO RECOMMENDATION**

### Recommendation #1

**Management Response:**

ITS will develop policy language to create a UWF Computer Server Management Policy. This policy will be broad enough to cover all server aspects for the University, and will rely on more specific 'standards' developed by ITS which will be defined within Confluence to apply to Local Support Providers as well as ITS.

**Responsible Party:**

Director of Infrastructure Services Geissler Golding

**Targeted Implementation Date:**

February 28, 2022



## SCOPE AND OBJECTIVES

We audited the department of Recreation and Wellness for the period of July 1, 2020, through June 30, 2021. This audit was included as part of our 2020/21 audit work plan, determined by our annual risk assessment. Our objectives were to evaluate internal controls over:

- Financial activities, contractual agreements, management oversight, safety and security, and activities unique to Recreation and Wellness;
- Compliance with University policies, procedures, and applicable laws; and
- General effectiveness and efficiency of operations.

Audit fieldwork began on June 24, 2021, and ended on August 26, 2021. Our audit conforms to the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

## BACKGROUND

The University of West Florida (UWF) has a vested interest in ensuring that students, employees, and even members of the community lead healthy lifestyles. One way that UWF supports physical and psychological wellness is by offering a wide variety of recreational activities and services through the department of Recreation and Wellness.

Recreation and Wellness is organizationally located within the Division of Academic Engagement and Student Affairs and consists of the following program areas:

- Aquatics,
- Fitness,

- Intramural Sports,
- Outdoor Adventures, and
- Sports Clubs.

Facilities offered for recreational activities are the Health, Leisure, and Sports (HLS) Facility and a number of outdoor spaces.

UWF students, faculty, and staff have free or discounted admission rates for access to Recreation and Wellness program areas.

The **Aquatics program** offers a variety of activities, including swimming lessons, American Red Cross Lifeguard Training Certification, private parties, and use of the Olympic-size pool, dry sauna, and whirlpool.

The **Fitness** program strives to provide participants a wide range of opportunities that support lifelong fitness, including fitness services, personal training (individual, buddy, and virtual) and small group training. The fitness program utilizes a 10,000 square foot strength and conditioning center and cardio floor within the HLS Facility, which includes equipment for all fitness levels.

**Intramural Sports** allows students and employees of all skill levels to compete in season-long sporting events, smaller tournaments and pick-up games.

**Outdoor Adventures** offers trips, clinics, disc golf, rock climbing, rental equipment, and other outdoor activities to motivate individuals and provide an opportunity to enjoy time with friends.

**Sports Clubs** offer participants a wide range of recreational, instructional, and competitive teams



## Internal Auditing & Management Consulting

### Audit: Recreation and Wellness

Report # UWF20-21\_006

Date: October 7, 2021

to bridge the gap between intramural sports and intercollegiate athletics. Some of the Sports Clubs include dance, fencing, Ju-Jitsu, SCUBA, surf and paddle, swing dance, and ultimate frisbee. All Sports Club teams are managed by students under the direction of Recreation and Wellness.

The **Health, Leisure, and Sports Facility** is a 105,000 square foot state-of-the-art recreation facility for the UWF community. Along with indoor basketball and racquetball courts, the facility offers a multi-purpose indoor turf soccer field, climbing wall and bouldering wall, indoor track, fitness studios, strength and conditioning center, and cardio equipment.

Recreation and Wellness also boasts two field spaces, University Park and Rec Plex North, and multiple trail systems, including the Edward Ball Nature Trail, the West Campus Trails, Main Campus Trails, the LEAD Trail, and four Cross Country Trails.

The Recreation and Wellness staff consists of a Director, an Associate Director, four Assistant Directors, a Coordinator, a Program Manager, and a Fiscal Specialist, along with approximately 135 student employees. Recreation and Wellness is under the supervision of the Executive Director of Counseling & Wellness.

Recreation and Wellness services are funded through a combination of Activity and Service fees (assessed to students per-credit-hour enrolled) and auxiliary operation revenues. The Student Government Association reviews the annual budget request for Student Activity and Service Fees and approves an allocation. The Activity and Service fees allocation for the year ended June 30, 2021 was \$576,139. Recreation and Wellness' auxiliary-

funded accounts are a result of activities that provide a service to the University, students, faculty, staff, or community for which a charge is made. These activities are intended to be self-supporting. Auxiliary-funded activities within Recreation and Wellness include facility rentals, summer camps, aquatic services, and outdoor event services. These activities were impacted by the closures due to COVID-19. Recreation and Wellness auxiliary revenues were \$190,175 and \$304,533 for the years ended June 30, 2021 and June 30, 2020, respectively.

#### **Notable Strengths**

Each program area within Recreation and Wellness has formalized their policies and procedures in writing, in a thorough and concise manner. This documentation provides both administrative and operational continuity for the respective areas.

The department has an on-line application called UWF RECWELL. This application allows users to make reservations to enter the facility, find the hours of operation, request to be contacted, join an intramural league or sports club, contact and/or sign up with Outdoor Adventures, and get notifications regarding facility closures, special events, and new offerings. This tool allows for effective and efficient use of resources.

#### **AUDIT METHODOLOGY**

We reviewed departmental policies and procedures, job descriptions, website information, financial documentation, and pertinent contractual agreements. We identified key controls, assessed the associated risks, and developed a plan for audit testing.

We conducted audit testing to evaluate training compliance with University requirements,



reporting of outside activities and conflicts of interest, facility inspections, issuance and collection of keys, specialized training and certifications, waivers of liability, and revenues.

### KEY OBSERVATIONS

**We found that internal controls over these processes were generally strong. We make the following observations:**

1. Maintenance of the outdoor facilities utilized for intramural and recreational activities has an approximate annual cost of \$190,000, for lawn care and grounds maintenance. These costs are split between Recreation and Wellness, Intercollegiate Athletics, and the Office of Facilities Management, according to a long-standing arrangement. Revenue received by Recreation and Wellness for facility rentals has historically been split between Recreation and Wellness, Intercollegiate Athletics, and Movement Sciences and Health (an academic program) based upon a mathematical formula. These revenue and expense sharing arrangements have been in place for several years, however, they do not appear to have been updated or formalized in writing. This creates the risk that revenue and costs are not being allocated based on a reasonable and supportable methodology.
2. Recreation and Wellness requires written waivers of liability from all patrons for certain activities considered to be high-risk (e.g., Group Fitness, Personal Training, and Outdoor Adventures) and also requires individuals with community memberships to sign a liability waiver for use of the HLS facility. There are currently six different waiver forms utilized by the department depending on the type of activity. UWF does not require students or community members to sign a waiver of liability for other recreation services (such as the aquatic center or student use of the HLS Center). The current waiver process has different requirements depending on the patron type or activity, which can cause misunderstandings. Furthermore, we consulted with the Office of General Counsel and the Office of Environmental Health and Safety as to whether the existing gaps in waiver coverage could potentially expose the University to risk and liability, and there was general agreement that this exposure had not been fully researched for potential mitigation.
3. The *UWF Property Guide* provides guidance for monitoring certain items that are “sensitive, portable, or theft-prone, and certain items with a value less than \$5,000,” referred to as “Attractive Assets.” Recreation and Wellness has created a thorough Master Inventory List to track their various types of equipment and assets; however, it does not appear that they are routinely performing periodic physical inventories of their assets. Without routine physical tracking, the risk increases that attractive assets will be misplaced, lost, or pilfered.
4. Recreation and Wellness facilities rental agreements generate auxiliary revenue for the department. They currently have rental agreements for the UWF Field House (community volleyball club) and the Aquatic Center (community swim club), which state the rental and payment terms. In a test of receivables, we noted that amounts due to UWF were not consistently invoiced and collected on a timely basis. At June 30, 2021 there was



approximately \$15,000 in under-reported income and accounts receivable, which potentially could have created a cash flow problem.

### **Recommended Management Actions**

1. We recommend that Recreation and Wellness, Intercollegiate Athletics, and Facilities Management collaborate on an agreement to split field maintenance costs based upon a logical methodology. We also recommend that Recreation and Wellness collaborate on an agreement with Intercollegiate Athletics and Movement Sciences and Health to split facility rental revenue based upon a logical methodology. These agreements, which could take the form of Memoranda of Understanding, should be formalized in writing.
2. We recommend that Recreation and Wellness collaborate with the Office of General Counsel and the Office of Environmental Health and Safety to determine which events, activities, and clients should use written liability waivers. We also recommend that Recreation and Wellness obtain approval of waiver form verbiage from the Office of General Counsel, while considering a transition to a standard form that could be used for all department activities.
3. We recommend that Recreation and Wellness establish a procedure for periodically tracking attractive assets. They should retain documentation that tracking occurred, who performed the verification, and that the asset was still on hand and in the authorized location.
4. We recommend that Recreation and Wellness implement a procedure to ensure that all revenues for contractual agreements are billed timely in accordance with the applicable terms and routinely monitor collections to ensure that they are received in a timely manner.

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

Respectfully submitted,

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

**Cynthia Talbert, CFE, CIA, CPA, CRMA**  
**Associate Vice President/Chief Audit Executive**



**REPORT PROVIDED TO THE FOLLOWING:**

Dr. Martha Saunders, President  
Suzanne Lewis, Chair BOT  
Bob Jones, Chair Audit & Compliance Committee  
Dick Baker, Audit & Compliance Committee  
Jill Singer, Audit & Compliance Committee  
Dr. George Ellenberg, Provost/Senior Vice President  
Dr. Kim LeDuff, Vice President Academic Engagement and Student Affairs  
Betsy Bowers, Vice President Finance & Administration  
Dr. Michelle Manassah, Executive Director Counseling and Wellness  
Brent Parmer, Director Recreation  
David Scott, Intercollegiate Athletics Director  
Dr. Christopher Wirth, Chair Movement Sciences and Health  
Dr. Melinda Bowers, Associate Vice President Facilities Management  
Nicole McDonald, Director Environmental Health and Safety  
Susan Woolf, General Counsel  
Jaime Hoelscher, Manager, FL Auditor General  
Ken Danley, Supervisor, FL Auditor General  
Julie Leftheris, BOG Inspector General  
Rebecca Luntsford, BOT Liaison



## **MANAGEMENT RESPONSES TO RECOMMENDATIONS**

### **Recommendation #1**

**Management Response:** Recreation and Wellness, Intercollegiate Athletics, and Movement Sciences and Health will collaborate to address the revenue sharing based on rental revenue for the spaces shared by all departments. After meeting with the departments and coming up with an agreement, this will be documented in a Memorandum of Understanding (MOU) and will be reviewed, as needed, to maintain an accurate account of these spaces.

Recreation and Wellness, Intercollegiate Athletics, and Facilities Management will collaborate to address splitting the cost of the field maintenance and identifying the services that will be covered through this agreement. Once this meeting has taken place and there is an agreement, this will be documented in a MOU and will be reviewed, as needed, to maintain an accurate account of the services and spaces.

The targeted implementation date for the revenue sharing MOU is January 4, 2022. The targeted date for the field maintenance and identifying services MOU is February 28, 2022. Since the 2021-22 budget has been approved, we will implement the MOU beginning July 1, 2022 with the 2022-23 fiscal year budget.

**Responsible Party:** Brent Parmer, Director Recreation

**Targeted Implementation Date:** February 28, 2022

### **Recommendation #2**

**Management Response:** Recreation and Wellness, General Counsel, and the Office of Environmental Health and Safety will work together to determine what activities need to require a signed waiver prior to participation and create a general waiver for participation allowed through a general membership with the department. General Counsel and Recreation and Wellness will revisit the waivers minimally on an annual basis, or as activities change.

**Responsible Parties:** Michael Wyatt, Assistant General Counsel  
Brent Parmer, Director Recreation

**Targeted Implementation Date:** May 15, 2022

### **Recommendation #3**

**Management Response:** Recreation and Wellness will assign each program area within the department (Aquatics, Fitness, Competitive Sports, Outdoor Adventures, Wellness, and Facilities) to formally track attractive assets that are valued at or above \$500, or are deemed valuable to the program area if less than this dollar amount. These reports will be combined with the department's Master Inventory List.



The inventory will be performed at least annually to assure updated and accurate records are kept.

**Responsible Party:** Brent Parmer, Director Recreation

**Targeted Implementation Date:** March 1, 2022

**Recommendation #4**

**Management Response:** Recreation and Wellness will modify language in contractual agreements to require full payment to be received no later than 10 business days after completion of the event. The invoice for the remaining balance will be sent out by the department's Fiscal Specialists one (1) business day after the completion of the event.

**Responsible Party:** Brent Parmer, Director Recreation

**Targeted Implementation Date:** December 31, 2021

**UWF Board of Trustees Meeting**  
 Audit & Compliance Committee  
 November 18, 2021

**Issue:** Internal Auditing PCard Audit Reports  
 Quarter 1 Update (July-September 2021)

**Proposed action:** Acceptance

**Purpose**

To provide UWF Senior leadership an overview of audit results for the PCard reviews completed during the quarter. Our main objective is to report the status of PCard audits and any issues or findings requiring action.

**Background**

Internal Auditing & Management Consulting 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 approximately 321 PCard holders distributed across 107 departments.

**Notable Strengths**

The Concur system provided a digital audit trail of the transactions including who accessed the records. The required business purpose was documented for each transaction reviewed.

**Notable Weaknesses**

Monthly PCard expense reports were submitted after the required deadline.

**Results - Quarter 1 (July – September 2021)**

Four departments encompassing 10 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 departments and the amount tested. All reports are available from Internal Auditing. A written remediation plan for the Poor rating has been received by IAMC.

Number of Departments Reviewed	Number of Cardholders	Number of Transactions Occurring	Number of Transactions Tested	Total PCard Expenditures of Depts.	Total PCard Transaction \$ Tested
4	10	405	92 (23%)	\$124,343	\$67,397 (54%)
<b>Audit Opinion for the PCard Audits:</b>					
<b>EXCELLENT</b>	<b>GOOD</b>	<b>FAIR</b>	<b>POOR</b>	<b>Total</b>	
2	1	0	1	4	

Departments Audited:	
Art and Design	Recreation
The Grier Williams School of Music	Earth and Environmental Sciences

**Recommendation:** Acceptance of the Internal Auditing PCard Reports for the 1st Quarter FY 2021-2022.

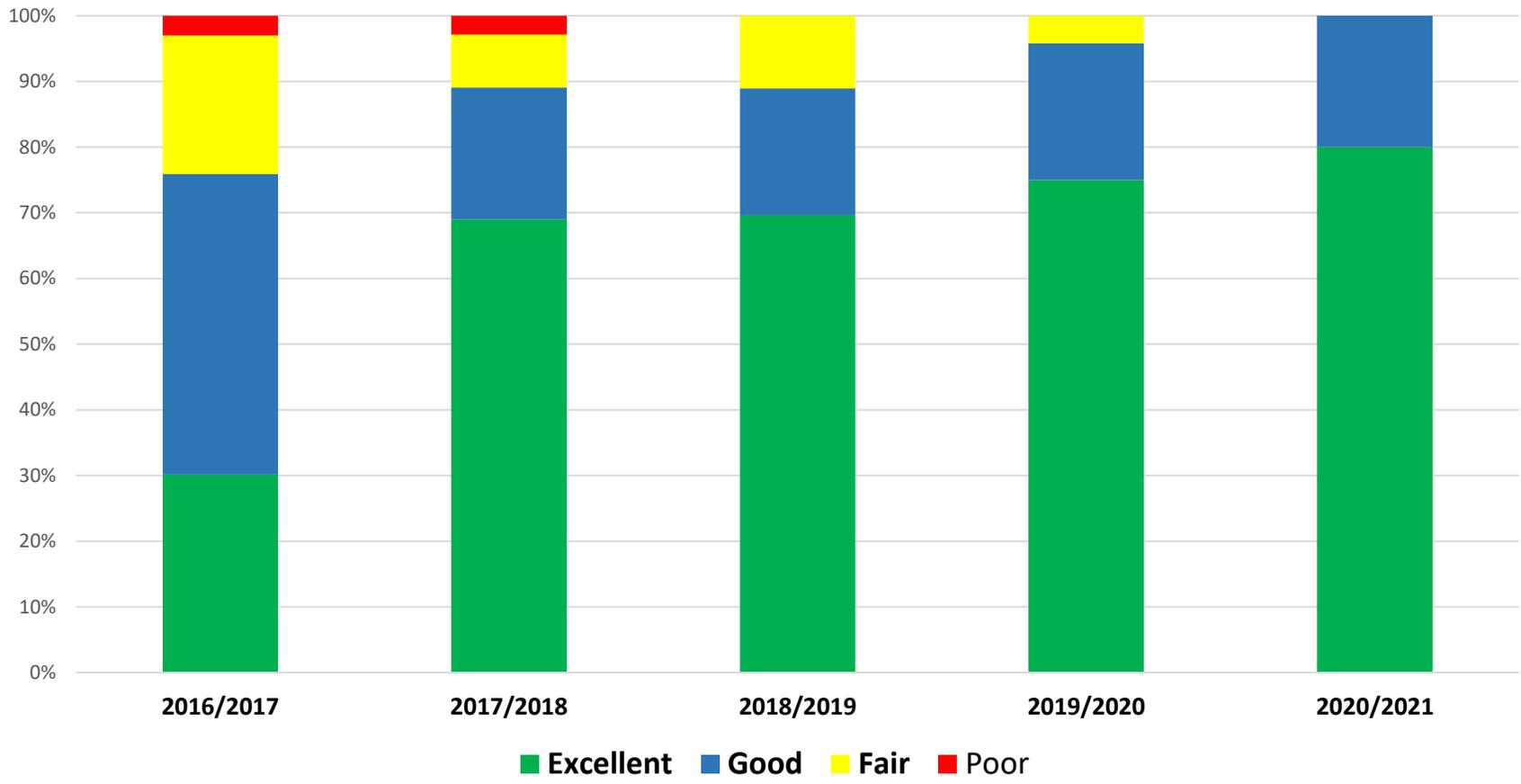
**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees

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

**Presenter:** Cindy Talbert, Chief Audit Executive, ctalbert@uwf.edu, 850-474-2637

### PCard Audit Ratings - % Distribution



IAMC  
Initiative  
Dec 2017

Concur  
Early 2020

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
November 18, 2021

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

**Proposed action:** Acceptance

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**Background information:**

Pursuant to Florida Statute 1004.28<sup>1</sup> and BOG Regulation BOG-9.011(5)<sup>2</sup>, organizations affiliated with or through the University of West Florida (aka Direct Support Organizations) must be audited annually and presented to the University of West Florida Board of Trustees. As required in the Bylaws of UWF Business Enterprises, Inc. (BEI), the financial statements of BEI have been audited by independent certified public accountants for the fiscal year ending June 30, 2021.

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

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

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

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

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

**Significant Financial Highlights:**

- BEI entered into a new agreement with the dining services vendor which replaced original contract language and extended the amortization of service and management service arrangement payments by 5 years through May 2038. This increase in amortization period resulted in an increase in unearned service and management arrangement income liability of approximately \$500,000 and was reported as a reduction on service and management arrangement income for the year ended June 30, 2021.

**Recommendation:** Acceptance

**Implementation Plan:** None

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

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**Supporting documents:**

- Audited Financial Statements for UWF Business Enterprises, Inc. for fiscal year ending June 30, 2021
- Management Representation Letter

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

**Presented by:** Cindy Talbert, Chief Audit Executive, ctalbert@uwf.edu, 474-2638

**UWF BUSINESS ENTERPRISES, INC.  
FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**UNIVERSITY OF WEST FLORIDA BUSINESS ENTERPRISES, INC.**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
UWF Business Enterprises, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of UWF Business Enterprises, Inc. ("BEI"), a direct-support organization and component unit of the University of West Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise BEI's basic financial statements as listed in the table of contents.

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

BEI'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.

- 1 -

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UWF Business Enterprises, Inc. as of June 30, 2021, and the changes in its financial 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 as listed in the table of contents 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*

The schedule of general and administrative expenses and schedule of Argonaut Village expenses are the responsibility of management and were 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 general and administrative expenses and schedule of Argonaut Village expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### *2020 Financial Statements*

The financial statements of UWF Business Enterprises, Inc. for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on October 2, 2020. The predecessor auditor included standard other-matter paragraphs related to the presentation of required supplementary information in addition to the basic financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated on September 7, 2021 our consideration of UWF Business Enterprises, Inc.'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 UWF Business Enterprises, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida  
September 7, 2021

**UNIVERSITY OF WEST FLORIDA BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021, 2020, AND 2019**

This section of the UWF Business Enterprises, Inc.’s (“BEI”) annual financial report presents our discussion and analysis of the financial performance of BEI for the fiscal years ended June 30, 2021, 2020, and 2019. This discussion has been prepared by management.

Because the information contained in the Management’s Discussion and Analysis (“MD&A”) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the Basic Financial Statements.

### **Reporting Entity**

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

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

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

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

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

In May 2018 the University appointed Dr. Edward Ranelli, Dean Emeritus and Professor of the UWF College of Business, to serve as CEO. Previously, Dr. Ranelli was appointed as the President’s Designee to the BEI Board of Directors and then effective May 8, 2017 was elected to serve as BEI Board Treasurer.

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

The basic financial statements presented herein include all activities of BEI, as prescribed by statements of the Government Accounting Standards Board (“GASB”). BEI is a component unit of the University, from inception on October 18, 2011 through period end, June 30, 2021.

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

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

The statement of cash flows presents information about the cash receipts and cash payments of BEI from July 01, 2019 through June 30, 2020 and July 01, 2020 through June 30, 2021. It provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on BEI's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

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

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

### Summary of Financial Condition

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

### UWF-BEI CONDENSED STATEMENT OF NET POSITION

ASSETS	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Assets, Excluding Capital Assets	\$916,842	\$866,196	\$715,965
Capital Assets, Net	<u>3,763,953</u>	<u>3,903,332</u>	<u>3,995,024</u>
Total Assets	<u>\$4,680,795</u>	<u>\$4,769,528</u>	<u>\$4,710,989</u>
LIABILITIES			
Current Liabilities	\$615,799	\$847,329	\$758,828
Long-Term Liabilities	<u>8,376,128</u>	<u>8,460,285</u>	<u>8,215,986</u>
Total Liabilities	<u>8,991,927</u>	<u>9,307,614</u>	<u>8,974,814</u>
NET POSITION			
Net Investment in Capital Assets	3,763,953	3,903,332	3,995,024
Unrestricted	<u>(8,075,085)</u>	<u>(8,441,418)</u>	<u>(8,258,849)</u>
Total Net Position	<u>(\$4,311,132)</u>	<u>(\$4,538,086)</u>	<u>(\$4,263,825)</u>
Total Liabilities and Net Position	<u>\$4,680,795</u>	<u>\$4,769,528</u>	<u>\$4,710,989</u>

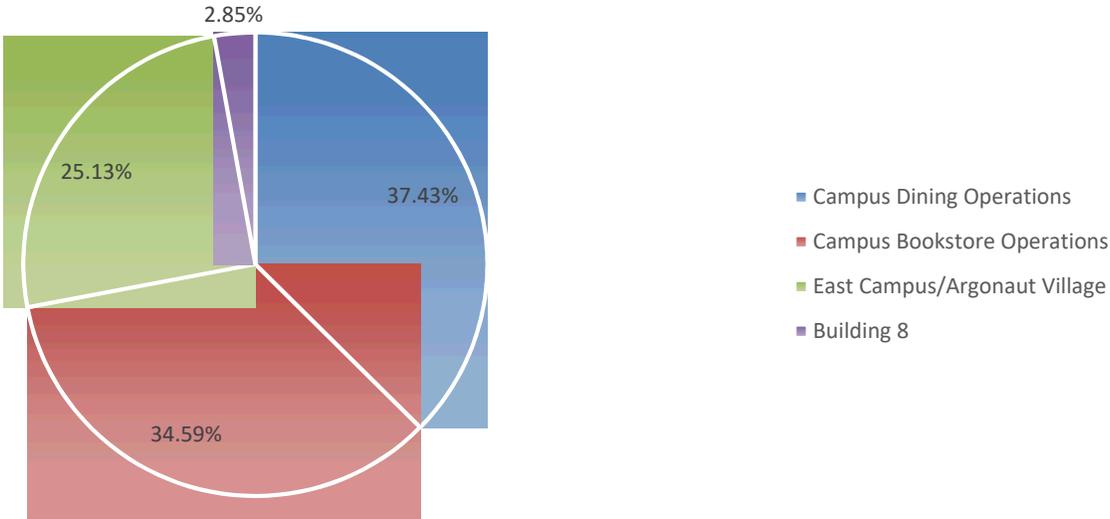
**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS  
ENTERPRISES, INC.  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2021, 2020, AND 2019**

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

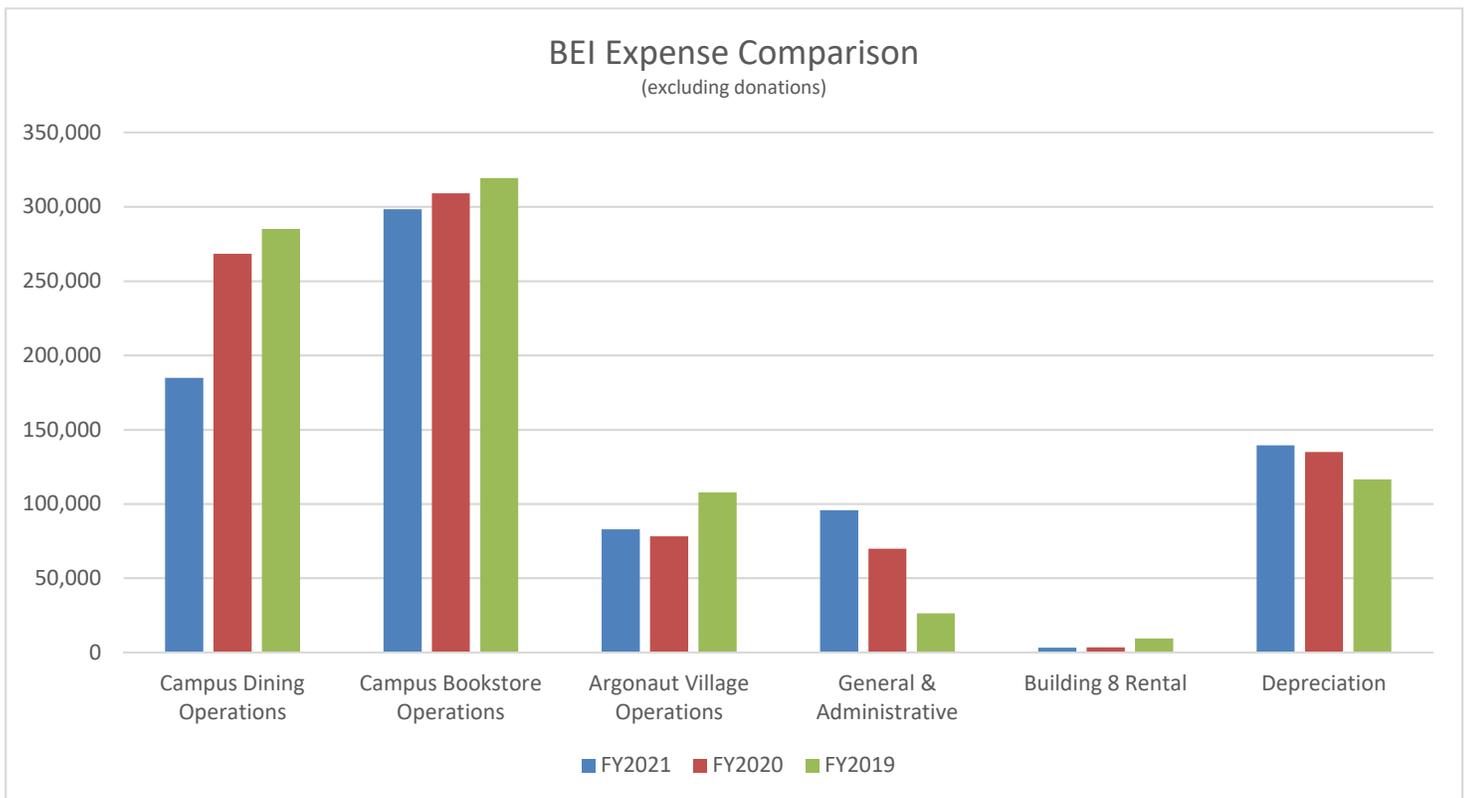
	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>			
Food Service Commissions	\$ 184,799	\$ 268,446	\$ 304,230
Bookstore Commissions	298,435	331,595	323,991
Deferred Revenues	263,009	727,780	607,651
Building Eight Rent	29,509	28,930	20,925
Argonaut Village Rent	260,389	278,470	208,013
Digital Sign	-	-	1,352
Contributions and In-Kind	3,986	4,509	3,245
Miscellaneous	165	179	6,185
Total Revenues	<u>1,059,470</u>	<u>1,639,909</u>	<u>1,475,592</u>
<b>EXPENSES</b>			
Food Service Management	184,799	268,446	285,000
Bookstore Management	298,435	309,060	319,298
General and Administrative	102,711	69,754	26,998
Donations - University of West Florida	-	1,050,368	2,335,051
Building Eight	2,603	3,453	8,845
Argonaut Village Expense	84,871	78,100	107,484
Digital Sign	-	-	2,177
Depreciation	139,379	134,989	116,558
Total Expenses	<u>808,280</u>	<u>1,914,170</u>	<u>3,201,411</u>
<b>NONOPERATING EXPENSES</b>	-	-	-
Change in Net Position	<u>226,954</u>	<u>(274,261)</u>	<u>(1,725,819)</u>
Net Position - July 1	<u>(4,538,086)</u>	<u>(4,263,825)</u>	<u>(2,538,006)</u>
<b>NET POSITION - JUNE 30</b>	<u>\$ (4,311,132)</u>	<u>\$ (4,538,086)</u>	<u>\$ (4,263,825)</u>

**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS  
ENTERPRISES, INC.  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2021, 2020, AND 2019**

**BEI FY 2021 Revenues**



**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS  
ENTERPRISES, INC.  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2021, 2020, AND 2019**



**Financial Highlights**

Effective May 6, 2018 the UWF-BEI entered into a Management Services Contract with a new dining services vendor, Aramark Educational Services, LLC, and immediately began earning a larger commission of six percent (6%). While fiscal year 2019 commissionable sales were consistent with the 2018 sales reported by the previous vendor, the higher commission rate yielded a larger commission for BEI in fiscal year 2019 of \$304,230. In March 2020 due to the COVID-19 pandemic, the University of West Florida campus closed to students and non-essential personnel as the University transitioned to remote education and work. On March 15 the dining services vendor closed campus operations with plans for a robust reopening in the fall session. For fiscal year ending June 2020 commission revenue decreased to \$268,446. The fall session continued to be predominately on-line education as the challenges with COVID-19 continued. Again, without many student and faculty on campus, commissions declined. BEI received \$184,799 for the fiscal year ending June 30, 2021.

Due to the disruption of regular operations in response to the global pandemic, BEI and Aramark entered into a Memorandum of Understanding (MOU) agreement on July 14, 2020. The amendment supplements the original agreement and most notably waives the right to receive the full minimum guaranteed annual commission for 2020. In November 2020 a second amendment was signed. It essentially eliminated the minimum guaranteed commission for fiscal year 2021, extinguished roll over of in-kind catering balances remaining, and extended the amortization period of the capital dining improvements by five (5) years until May 2038. The dining services vendor is actively planning a return to full operations in the fall term. To grow the dining program two (2) new commuter Dining Dollar meal plans have been created for fall 2021. These plans offer great value at an affordable rate that give the student flexibility in their dining choices.

**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2021, 2020, AND 2019**

While the bookstore sales have been in decline over the last several years, these previous sales declines have not been a significant concern to BEI management because this reduction is generally due to the increased availability of lower cost course material options to students. These lower cost options are beneficial to both the UWF students and University metrics. The bookstore commissions received for fiscal year June 30, 2020 and June 30, 2021 were \$331,595 and \$295,928, respectively. Commissions in fiscal year 2021 were less than the vendor's minimum guarantee by \$2,507. During the campus closure related to COVID-19, the bookstore was able to continue to operate on line and in store with reduced hours. In July 2020 UWF-BEI and Follett executed Amendment 4 to their operating agreement, dated 2009, to include the Follett ACCESS Program Course Materials. This program delivers all required course materials to students as part of their tuition thus ensuring student have all required course material on or before the first day of class.

BEI assumed the management responsibility of the East Campus (Argonaut Village) retail location upon the termination of the contract with the prior dining services vendor on May 6, 2018. In its third year of management of the Argonaut Village facility, BEI earned rental income directly from tenant leases, while reducing CAM (Common Area Maintenance) cost from \$5.35 to \$5.15 per square foot.

At Argonaut Village in May 2020, per the terms of the lease a restaurant tenant opted to terminated its lease with BEI. A new lease for this space was executed October 15, 2020. The prospective new restaurant tenant met with obstacles in opening another location and decided to terminate the lease as of June 30, 2021 without taking occupancy. An existing tenant has indicated an interest in opening a restaurant in the location. The Follett Argo Fan Shop terminated its lease in May 2021 to focus on the on-campus bookstore. An existing tenant has signed a lease for the space and plans to open by January 2022. BEI anticipates full occupancy at Argonaut Village during fiscal year 2022.

BEI earned rent revenue from the three-year lease agreement for Building 8. This lease renewed on April 18, 2019 with significant improved terms for BEI beginning July 1, 2019. In May 2020 BEI made a capital investment in building 8 with the installation of a new roof at a cost of \$23 thousand. The current tenant has expressed interest to exercise its option to extend the lease for two more years after June 2022.

### **Campus Bookstore and Dining**

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

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

BEI entered into a Management Services Contract with Aramark effective May 6, 2018. The initial term of the agreement is ten (10) years, with an option to extend for an additional five (5) years upon agreement of both parties. Under the Management Services Contract, BEI is paid commission during each operating year of the agreement.

**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2021, 2020, AND 2019**

After the execution of the contract, BEI received \$6.1 million from Aramark to repay the unamortized balance of the capital investments and the balance of unearned advanced commission BEI owed to the former dining services vendor. BEI also received \$900,000 as an unrestricted grant to be used in furthering BEI's mission. The new dining services vendor also made a financial commitment to BEI in the agreement to invest \$3.575 million for dining facility renovations, to include the purchase and installation of food service equipment and signage. The \$6.1 million contract buyout funds, the \$900,000 unrestricted grant, and the \$3.575 million capital investment are recorded as unearned income and amortized to revenue on a straight-line basis. Upon expiration or termination of the Management Services Contract by either party prior to complete amortization of the capital investments disbursed as of the date of expiration or termination, BEI must reimburse the dining services vendor for the unamortized balances within 120 days.

Certain capital investments made by the dining services and bookstore services vendors under the respective agreements with BEI ultimately become the property of the University. In recognition of this transfer of capital investments completed and placed into service, BEI's Statement of Revenues, Expenses, and Changes in Net Position report a donation from BEI to the University. Donations from the dining services vendor were \$2.335 million and \$1.050 million for the fiscal year ended June 30, 2019 and 2020, respectively. After these expenditures, the \$3.575 million capital investment commitment has a small balance remaining of about \$200 thousand. These funds are planned for use to refresh dining facilities in the future.

BEI and Follett Higher Education Group, Inc. entered into a Bookstore Operating Agreement on August 18, 2009. Effective November 15, 2016, BEI and the bookstore services vendor entered into Amendment Number Three to the Bookstore Operating Agreement. Amendment Number Three provided the following terms: extended the contract for an additional two (2) year period through September 30, 2024; confirmed the remaining unamortized balance of the initial contribution made in October 2012 will continue to be amortized through September 30, 2022; increased the commission rate for the period from July 1, 2022 through the end of the contract term; and provides for an investment of \$300,000 to be allocated to the build out of the Argonaut Village Argo Fan Shop and renovations to the main campus bookstore. As of June 30, 2021, approximately \$295,000 was invested by the bookstore services vendor in the Argonaut Village Argo Fan Shop. The University bookstore vendor actively and continuously seeks avenues to improve service to the campus community.

Follett began operations in the new Argo Fan Shop located at the Argonaut Village facility in fiscal year 2018 and terminated the lease effective May 31, 2021. The Argo Fan Shop sold only UWF branded gifts, clothing, and accessories. The Bookstore will continue its partnership with UWF Intercollegiate Athletics and will again be the official provider of UWF emblematic merchandise at the home football games held at the Blue Wahoo's stadium.

### **Argonaut Village**

As part of the capital improvements under the Main Campus Dining Agreement, the former dining services vendor invested \$3.85 million to develop and construct over 13,100 gross square feet of mixed use commercial and restaurant buildings at the east entrance of campus. The East Campus/Argonaut Village facility construction of the building shell level was completed in 2015. BEI executed a Lease Agreement with the former dining services vendor to sub-lease the space (i.e., act as Property Manager on behalf of BEI) to various businesses for operation. Upon termination of the Main Campus Dining Agreement effective May 5, 2018 the Lease Agreement terminated. On May 6, 2018, management of the Argonaut Village facility became the responsibility of BEI. BEI entered into lease agreements with the current tenants. Build-outs for all the units are complete as of 2019. The facility was

**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS  
ENTERPRISES, INC.  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2021, 2020, AND 2019**

fully leased with the occupancy of Building 1 in September 2019. Build-out costs for Building 1 of \$614 thousand were shared with the tenant. In fiscal year 2019 a current tenant at Argonaut Village expanded into an adjacent unit and made capital improvements of \$59,000 and per the lease agreement, BEI reimbursed the tenant \$18,795 of the cost. In February 2020, BEI made a capital improvement of about \$14 thousand with the installation of an exterior electric sign, which identifies the shopping center by name.

In fiscal 2019 BEI earned a minimal advertising commission revenue from Electronic Digital Network (EDN) while waiting for the contract to expire. During the fall of 2018, the Department of Transportation notified BEI that a permit and license are required for paid advertising on the Digital Monument sign located at the Argonaut Village retail location, which was under the digital signs contract. With the expiration of the digital signs contract on February 1, 2019, the sign is administered and monitored by UWF personnel. Since February 2019 only free advertising promoting the University and Argonaut Village tenants has been displayed.

#### **Other Items**

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

#### **Requests for Information**

Questions concerning any of the information provided in this report or requests for additional financial information should be directed to UWF Business Enterprises, Inc., 11000 University Parkway, Building 20E, Pensacola, FL 32514

**UWF BUSINESS ENTERPRISES, INC.**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 828,362	\$ 691,557
Accounts receivable, net	21,099	111,980
Lease receivable	50,967	37,443
Prepaid expenses and other assets	16,414	25,216
Total current assets	916,842	866,196
<b>Capital assets, net</b>	3,763,953	3,903,332
<b>Total assets</b>	\$ 4,680,795	\$ 4,769,528
<b><u>LIABILITIES</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,058	\$ 1,608
Accrued liabilities	6,775	7,783
Due to the University of West Florida	17,894	71,014
Unearned service and management arrangement income, current portion	588,072	766,924
Total current liabilities	615,799	847,329
<b>Noncurrent liabilities</b>		
Unearned service and management arrangement income, long term portion	8,376,128	8,460,285
<b>Total Liabilities</b>	\$ 8,991,927	\$ 9,307,614
<b><u>NET POSITION</u></b>		
<b>Net position</b>		
Net investment in capital assets	3,763,953	3,903,332
Unrestricted	(8,075,085)	(8,441,418)
<b>Total Net Position</b>	\$ (4,311,132)	\$ (4,538,086)

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

**UWF BUSINESS ENTERPRISES, INC.**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating revenues</b>		
Food service commissions	\$ 184,799	\$ 268,446
Bookstore commissions	298,435	331,595
Service and management arrangements	263,009	727,780
Rental income	289,898	307,400
Contributions	-	4,509
Miscellaneous income	165	179
Total operating revenues	1,036,306	1,639,909
<b>Operating expenses</b>		
Food service management	184,799	268,446
Bookstore management	298,435	309,060
General and administrative	101,363	69,754
Building Eight	2,603	3,453
Argonaut Village	82,773	78,100
Depreciation	139,379	134,989
Total operating expenses	809,352	863,802
<b>Operating income</b>	226,954	776,107
<b>Nonoperating revenues (expenses)</b>		
Contributions to UWF	-	(1,050,368)
Total nonoperating revenues (expenses)	-	(1,050,368)
<b>Change in net position</b>	226,954	(274,261)
<b>Net position, beginning of year</b>	(4,538,086)	(4,263,825)
<b>Net position, end of year</b>	\$ (4,311,132)	\$ (4,538,086)

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

**UWF BUSINESS ENTERPRISES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Cash received from contracts	\$ 850,655	\$ 1,892,164
Cash payments to suppliers for goods and services	(713,849)	(724,979)
Net cash provided by operating activities	136,806	1,167,185
<b>Investing activities</b>		
Purchase of capital assets	-	(43,297)
Cash payments for capital contributions to UWF	-	(1,050,368)
Net cash used in investing activities	-	(1,093,665)
<b>Increase in cash and cash equivalents</b>	136,806	73,520
<b>Cash and cash equivalents, beginning of year</b>	691,557	618,037
<b>Cash and cash equivalents, end of year</b>	\$ 828,363	\$ 691,557
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 226,954	\$ 776,107
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	139,379	134,989
Decrease (increase) in accounts receivable	90,882	(70,332)
Decrease (increase) in prepaid expenses	8,802	(6,379)
Decrease (increase) in lease receivable receivable	(13,524)	-
Increase (decrease) in due to UWF	(53,120)	13,771
Increase (decrease) in accounts payable	1,450	(4,615)
Increase (decrease) in accrued liabilities	(1,008)	1,057
Increase (decrease) in unearned revenue	(263,009)	322,587
Total adjustments	(90,148)	391,078
<b>Net cash provided by operating activities</b>	\$ 136,806	\$ 1,167,185

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

**UWF BUSINESS ENTERPRISES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

The following is a summary of the more significant accounting policies of UWF Business Enterprises, Inc. ("BEI"), which affect significant elements of the accompanying financial statements:

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

BEI owns an office building located on UWF's campus that is used to support the University's educational activities. BEI has also entered into contracts that will provide dining, bookstore, retail services, and any other assigned functions to University students and personnel.

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

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

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

(c) **Operating revenues and expenses**—Operating revenues and expenses generally result from providing services in connection with Dining Services, Bookstore Services, and Argonaut Village. Operating revenues are from commissions, service and management arrangements, contributions in kind and rental operations. Operating expenses are primarily from food and bookstore management, management of rental facilities, donations to the University, general and administrative, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**UWF BUSINESS ENTERPRISES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

(e) **Accounts receivable**—Accounts receivable are stated net of an allowance for doubtful accounts. BEI estimates for doubtful accounts based on an analysis of certain customers taking into consideration the age of the past due accounts and an assessment of the customer's ability to pay. Accounts are considered past due when the payments due are not made within certain designated timeframes. Accounts receivable balances were \$21,099 and \$111,980 for the years ended June 30, 2021 and 2020, respectively. Allowance for doubtful accounts was \$0 as of June 30, 2021 and 2020.

(f) **Due to/from the University of West Florida**—Due to the University of West Florida, includes commissions owed to the University by BEI related to bookstore and dining operations:

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

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

(h) **Lease receivable**—BEI receives rental income from several vendors who lease space from BEI. Typically, rental agreements are structured with payment increases over the life of the lease. BEI recognizes revenue on a straight-line basis. Timing differences between rent payments received and revenue recognition are reported as a lease receivable. Lease receivables were \$50,967 and \$37,443 as of June 30, 2021 and 2020, respectively.

(i) **Income taxes**—Pursuant to a determination letter received from the Internal Revenue Service, the BEI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and as such, is liable for tax only on business income unrelated to the purpose for which it is exempt. No provision for income tax expense or liability has been made. There are currently no Internal Revenue Service audits in progress for any tax period. With few exceptions, the BEI is no longer subject to examination by major tax jurisdictions for years ended June 30, 2017 and prior.

(j) **Reclassification**—Certain accounts in the prior year information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**UWF BUSINESS ENTERPRISES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

(k) **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 disclose 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, actual results could differ from those estimates.

(l) **Unearned Service and Management Arrangement Income**— Unearned service and management arrangement income represents amounts received in advance related to service and management arrangement contracts. Typically, amounts are recognized as revenue on a straight line basis over the contract period, as indicated in the contracts.

(m) **Net Position**— Equity is classified as net position and is further classified into the following components:

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

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

(2) **Deposits:**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, BEI's deposits may not be returned. At year end, the carrying amount of BEI's deposits was \$828,362 and the bank balance was \$836,643. Of the bank balance, \$250,000 was covered by Federal depository insurance or by collateral held by the BEI's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

(3) **Capital Assets:**

Capital assets consisted of the following at June 30, 2021:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassify</b>	<b>Ending Balance</b>
Land	\$ 94,265	\$ -	\$ -	\$ -	\$ 94,265
Buildings	3,920,227	-	-	-	3,920,227
Building Improvements	350,436	-	-	-	350,436
Furniture and Fixtures	129,379	-	-	-	129,379
	<u>4,494,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,494,307</u>
Less: Accumulated Depreciation	(590,975)	(139,379)	-	-	(730,354)
Total	<u>\$ 3,903,332</u>	<u>\$ (134,379)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,763,953</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

(3) **Capital Assets:** (Continued)

Capital assets consisted of the following at June 30, 2020:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassify</b>	<b>Ending Balance</b>
Land	\$ 94,265	\$ -	\$ -	\$ -	\$ 94,265
Buildings	3,896,399	23,828	-	-	3,920,227
Building Improvements	18,794	17,555	-	314,088	350,436
Furniture and Fixtures	127,464	1,915	-	-	129,379
Construction in Progress	314,088	-	-	(314,088)	-
	<u>4,451,010</u>	<u>43,298</u>	<u>-</u>	<u>-</u>	<u>4,494,307</u>
Less: Accumulated Depreciation	(455,986)	(134,989)	-	-	(590,975)
Total	<u>\$ 3,995,024</u>	<u>\$ (91,691)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,903,332</u>

Depreciation expense amounted to \$139,379 and \$134,989 for the years ended June 30, 2021 and 2020, respectively.

(4) **Service and Management Arrangements:**

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

In conjunction with the new contract, BEI received \$6.1 million to buyout and repay the unamortized balances of the old service agreement's capital investments and unearned advanced commissions. The agreement also provided a \$900,000 unrestricted grant to be used in furthering BEI's mission and up to \$3.575 million in dining and retail capital improvements. As of June 30, 2021, \$3.385 million in renovations were completed and began being amortized. All capital improvements provided under the contract are donated to the University.

During the year ended 2021, BEI entered into a new MOU with the dining services vendor which replaced the original contract language that amortized the service and management arrangement payments through May 2033 with new language that now will now amortize the service and management service arrangement payments through May 2038. The increase in the amortization period resulted in an increase in the unearned service and management arrangement income liability of approximately \$500,000 and is reported as a reduction on service and management arrangement income during the year ended June 30, 2021.

The \$6.1 million contract buyout funds, the \$900,000 unrestricted grant, current capital improvements and any future improvements to be made under the agreement are recorded as unearned service and management arrangement income when received and amortized to revenue on a straight-line basis through May 2038.

**UWF BUSINESS ENTERPRISES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

(4) **Service and Management Arrangements:** (Continued)

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

Under the contract, a \$600,000 initial contribution was provided to BEI by the bookstore operations vendor. This initial contribution was recorded as unearned income and is being amortized on a straight-line basis over the 10-year contract period. The bookstore operations vendor has also agreed to invest up to an additional \$300,000 for store upgrades throughout various campus locations. The vendor has spent approximately \$292,421 as of the fiscal year ended June 30, 2020, related to these upgrades.

All equipment, fixtures, and furniture included as store upgrades from the capital investments of the bookstore operations vendor or from future capital investments will remain the property of the bookstore operations vendor until the investment is fully amortized, over a five-year period commencing on the date of the first disbursement of funds, at which time the upgrades will become property of the University. As of June 30, 2021 and 2020, there were no fully amortized store upgrades. Upon such time that store upgrade titles are transferred to the University, the fair value of the assets will be recognized as donations to the University and income by BEI.

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

Unearned income consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Unamortized Unearned Income from Dining Services Agreement	\$ 8,889,200	\$ 9,092,209
Unamortized Unearned Income from Bookstore Services Agreement	75,000	135,000
Total Unearned Income from Service and Management Arrangements	<u>\$ 8,964,200</u>	<u>\$ 9,227,209</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

(4) **Service and Management Arrangements:** (Continued)

Changes in unearned service and management arrangement income were as follows at June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Unearned Service and Management Arrangement Income	<u>\$ 9,227,209</u>	<u>\$ 503,914</u>	<u>\$ (766,923)</u>	<u>\$ 8,964,200</u>	<u>\$ 588,072</u>

Changes in unearned service and management arrangement income were as follows at June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Unearned Service and Management Arrangement Income	<u>\$ 8,904,622</u>	<u>\$ 1,050,368</u>	<u>\$ (727,781)</u>	<u>\$ 9,227,209</u>	<u>\$ 766,924</u>

(5) **Contingencies:**

During the year ended June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the BEI as of September 7, 2021 management believes that a material impact on the BEI's financial position and results of future operations is reasonably possible.

(6) **Related Parties:**

The University provides administrative, managerial and facilities support for BEI. For the years ended June 30, 2021 and 2020, BEI disbursed \$184,799 and \$268,446, respectively, to the University for food service management pursuant to the Agreement discussed in Note (4). For the years ended June 30, 2021 and 2020, BEI disbursed \$298,435 and \$309,060, respectively, to the University for bookstore management pursuant to the Agreement discussed in Note (4). Amounts owed to the University for auxiliary services at June 30, 2021 and 2020 were \$17,894 and \$71,014, respectively.

**UWF BUSINESS ENTERPRISES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

(7) **Management agreement with the University of West Florida:**

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

(8) **Recently Issued Accounting Pronouncements:**

GASB issued Statement No. 87, Leases, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The provisions in GASB 87 are effective for periods beginning after June 15, 2021. UWF Business Enterprises, Inc. is currently evaluating the effects that implementation of the new standards will have on its financial position, results of operations, and cash flows.

(9) **Property Leased to Others.**

BEI leases space to both University affiliated tenants and other commercial tenants under operating leases agreements. At June 30, 2021, approximate future minimum rental payments to be received under the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>University- Affiliated Tenants</u>	<u>Commercial Tenants</u>	<u>Total</u>
2022	\$ 97,766	\$ 87,010	\$ 184,776
2023	69,029	88,750	157,779
2024	40,735	90,525	131,260
2025	-	92,336	92,336
2026	-	94,182	94,182
Thereafter	-	65,144	65,144
Total	<u>207,530</u>	<u>517,947</u>	<u>725,477</u>

Total rental income for the years ended June 30, 2021 and 2020 was \$232,521 and \$243,025, respectively.

(10) **Risk Management:**

BEI is exposed to various levels of loss including, but not limited to, losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. BEI is insured for these risks. There were no insurance losses related to these risks for the years ended June 30, 2021 and 2020. BEI is not aware of any liabilities related to these risks as of June 30, 2021.

BEI has established a Low Value Asset Policy to manage and account for certain property items that are portable and susceptible to theft or loss. No low value assets have been identified as missing as of June 30, 2021 and 2020.

**UWF BUSINESS ENTERPRISES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

(11) **In-kind Contributions:**

Each state university board of trustees is authorized to permit the use of property, facilities, and personal services at any state university by any university direct support organization per Section 1004.28, Florida Statutes. Administrative and fiscal services, office space, and other miscellaneous support services are provided to the University direct support BEIs by the University at no cost.

Rent for space utilized by BEI and owned by the University was estimated at \$3,986 and \$4,146, respectively, for the years ended June 30, 2021 and 2020. Administrative and fiscal services provided to BEI was estimated at \$211,680 for the year ended June 30, 2021. Amounts for in-kind contributions are not included in the financial statements.

(12) **Revenue Concentrations:**

During the year ended June 30, 2021 and 2020, BEI received approximately 72% and 80%, respectively, of its operating revenues from its two largest vendors.

**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 Directors,  
UWF Business Enterprises, Inc.

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 UWF Business Enterprises, Inc., which comprise the statement of net position as of June 30, 2021, and the related statements of revenue, expenses, and change of net position, and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated September 7, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered UWF Business Enterprises, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 UWF Business Enterprises, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of UWF Business Enterprises, Inc.'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 UWF Business Enterprises, Inc.'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 financial statements. 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.

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'.

Tallahassee, Florida  
September 7, 2021

**SUPPLEMENTAL INFORMATION**

**UWF BUSINESS ENTERPRISES, INC.**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Administrative	\$ 251	\$ 2,534
Bank fees	1	6
Miscellaneous	2,303	4,459
Office supplies	61	4,118
Postage	26	36
Professional fees	21,209	19,597
Taxes and licenses	61	61
Travel and entertainment	-	246
Utilities	2,639	1,455
Wages	74,812	37,242
Total	<u>\$ 101,363</u>	<u>\$ 69,754</u>

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

**UWF BUSINESS ENTERPRISES, INC.**  
**SCHEDULE OF ARGONAUT VILLAGE EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
Insurance	\$ 13,697	\$ 11,011
Miscellaneous	-	44
Postage	31	48
Repairs and maintenance	31,775	31,731
Taxes and licenses	8,989	6,186
Utilities	28,281	29,080
Total	\$ 82,773	\$ 78,100

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



September 7, 2021

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

This representation letter is provided in connection with your audit of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows of the UWF Business Enterprises, Inc. (the Organization) as of June 30, 2021 and 2020, and for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Organization in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as 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 September 7, 2021:

### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 21, 2021, 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.
- 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 components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- 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 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.
- In regards to the tax preparation services and preparation of the financial statements performed by you, we have:
  - Made all management decisions and performed all management functions.
  - Designated Carole Reed, an individual with suitable skills, knowledge, or experience to oversee the services.
  - Evaluated the adequacy and results of the services performed.
  - Accepted responsibility for the results of the services.
- During the year ended June 30, 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of September 7, 2021, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.
- Our liability for amounts due to the University of West Florida is fairly stated.

### Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the 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 or abuse.
- We have no knowledge of any fraud, suspected fraud, or abuse 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, suspected fraud, or abuse 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, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- 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.
- UWF Business Enterprises, Inc. 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 UWF Business Enterprises, Inc. is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee.

Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.

- 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
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- UWF Business Enterprises, Inc. 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.

DocuSigned by:

*Carole W. Reed*

C881536CCAC8425...  
Carole Reed  
Accountant

DocuSigned by:

*Dr. Ed Ranelli*

6122795D427B434...  
Ed Ranelli  
CEO

**UWF Board of Trustees Meeting**

Audit & Compliance Committee

November 18, 2021

**Issue:** External Audit of Financial Statements of Direct Support Organization—West Florida Historic Trust, Inc.

**Proposed action:** Acceptance

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**Background information:**

Pursuant to Florida Statute 1004.28<sup>1</sup>, BOG Regulation BOG-9.011(5)<sup>2</sup> and the agreement between UWF and West Florida Historic Trust, Inc. affiliated entities (aka Direct Support Organizations) must be certified annually by the University of West Florida. West Florida Historic Preservation, Inc. (dba UWF Historic Trust) is such an entity and has been audited for the fiscal year ending June 30, 2021.

Agreement provision between UWF and WFHPI: Section 13 of the agreement between the University of West Florida and the West Florida Historic Preservation, Inc., (WFHPI), dated July 1, 2001, requires UWF shall certify on an annual basis, after consideration of the information provided by the Corporation (WFHPI) that the corporation is complying with the terms of this agreement and in a manner consistent with the goals and purposes of UWF and in the best interest of the State. Such certification shall be made annually and reported in the minutes of the meeting of the Board of Trustees of UWF.

**Results:**

To ensure compliance with the agreement, the Chief Audit Executive of Internal Auditing & Management Consulting performed a cursory review of the documents and determined that the West Florida Historic Trust met the requirements.

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

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

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

## Significant Financial Highlights

- Due to closures and restrictions related to COVID-19, overall site visitation decreased by 62% compared to the previous year. The decreased visitation negatively impacted earned income.
- On April 27, 2021 the Trust received loan proceeds in the amount of \$278,690 under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act. The PPP loan's principal and accrued interest are forgivable to the extent that the proceeds are used for eligible purposes, subject to certain limitations.

**Recommendation:** Acceptance

**Implementation Plan:** None

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

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## Supporting documents:

- Financial Statement Audit Report for the West Florida Historic Trust, Inc., for fiscal year ending June 30, 2021
- Management Representation Letter

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

**Presenter:** Cindy Talbert, Chief Audit Executive, ctalbert@uwf.edu. 474-2638

# Saltmarsh

Saltmarsh, Cleaveland & Gund

*CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS*

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
D/B/A UNIVERSITY OF WEST FLORIDA HISTORIC TRUST**

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

**PENSACOLA, FLORIDA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
D/B/A UNIVERSITY OF WEST FLORIDA HISTORIC TRUST**

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

**PENSACOLA, FLORIDA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
West Florida Historic Preservation, Inc.  
d/b/a University of West Florida Historic Trust  
Pensacola, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the entity-wide activities of West Florida Historic Preservation, Inc. d/b/a University of West Florida Historic Trust ("the Trust"), (a component unit of the University of West Florida), which collectively comprise the statements of net position and governmental fund balance sheets as of June 30, 2021 and 2020, and the related statements of activities and governmental fund revenues, expenditures, and changes in fund balance/net position 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 risk 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

-1-

Board of Directors  
West Florida Historic Preservation, Inc.  
d/b/a University of West Florida Historic Trust  
Pensacola, Florida

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the governmental activities and the entity-wide activities of the Trust as of June 30, 2021 and 2020, and the changes in financial position for the years then ended in accordance 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 3-5 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 August 26, 2021, on our consideration of the Trust'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 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 Trust's internal control over financial reporting and compliance.



Pensacola, Florida  
August 26, 2021

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
D/B/A UNIVERSITY OF WEST FLORIDA HISTORIC TRUST  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021 AND 2020**

The following is a narrative overview and analysis of the West Florida Historic Preservation, Inc. d/b/a University of West Florida Historic Trust's ("the Trust") significant financial activities for the fiscal year ended June 30, 2021.

**Operational Highlights**

- For fiscal year 2020/21 our overall site visitation was down 62% compared to the previous year. The decreased visitation has negatively impacted our earned income for the year. Overall, our lost revenue due to COVID-19 closures and restrictions amounted to approximately \$345,267, which is 62% of our total budget.
- Our inability to open our museums and offer public programming has also severely diminished the visibility of our organization within the community and region which will most likely affect future revenue.
- In response to the decrease in revenue due to COVID-19 shutdowns, we cut part-time staff hours in half to help decrease expenses.
- We have also laid off five fulltime staff positions due to cuts to our state funding in January 2021. This has added to the strain on the remaining staff.
- We received \$10,000 in CARES funding from the Florida Humanities Council to help cover the costs of our utilities.
- We also received \$1,898 in CARES funding through the Florida Division of Cultural Affairs which will cover some general operating expenses such as utilities.
- In September of 2020 Hurricane Sally did major damage to our historic properties. Initial estimates place the cost of repairs to be \$2,519,369. UWF filed a claim with the State's insurance and the state paid \$2,280,112 to the university to cover the repairs. Repairs are ongoing and it is anticipated UWF's FEMA claim will cover any remaining costs.
- Due to the damage from Hurricane Sally, the Trust had to completely close its museums until early 2021, further limiting our ability to earn revenue.
- After offering only limited opening hours at the Pensacola Museum of Art and the Pensacola Museum of History since March of 2020, due to COVID-19, on July 7, 2020 we opened more of the museum but only on Tuesdays, Thursdays and Saturdays.
- The Trust applied for grants to help ease the burden on its finances placed by the pandemic and Hurricane Sally.
- We received PPP loan funding in the amount of \$278,690 in April 2021.

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
D/B/A UNIVERSITY OF WEST FLORIDA HISTORIC TRUST  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021 AND 2020**

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Trust's basic financial statements. They are: 1) entity-wide and governmental fund financial statements and 2) notes to the financial statements.

Entity-wide financial statements are designed to provide readers with a broad overview of the Trust's finances in a manner similar to a private-sector business. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found starting on page 8 of this report.

**Summary of Financial Condition**

**West Florida Historic Preservation, Inc.  
d/b/a University of West Florida Historic Trust  
Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total assets, excluding capital assets	\$ 2,265,352	\$ 1,940,255	\$ 2,032,262
Capital assets	<u>4,137,243</u>	<u>4,509,152</u>	<u>4,739,327</u>
Total assets	<u>\$ 6,402,595</u>	<u>\$ 6,449,407</u>	<u>\$ 6,771,589</u>
Current liabilities	<u>\$ 397,042</u>	<u>\$ 93,479</u>	<u>\$ 87,928</u>
Invested in capital assets	4,137,243	4,509,152	4,739,327
Reserved	209,429	201,288	202,651
Designated	38,774	38,697	38,620
PMA designated	33,966	68,302	117,575
Undesignated	<u>1,586,141</u>	<u>1,538,489</u>	<u>1,585,488</u>
Total fund balance/net position	<u>6,005,553</u>	<u>6,355,928</u>	<u>6,683,661</u>
Total liabilities and net position	<u>\$ 6,402,595</u>	<u>\$ 6,449,407</u>	<u>\$ 6,771,589</u>

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
D/B/A UNIVERSITY OF WEST FLORIDA HISTORIC TRUST  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021 AND 2020**

**Summary of Financial Condition (Continued)**

**West Florida Historic Preservation, Inc.  
d/b/a University of West Florida Historic Trust  
Revenues, Expenses, and Changes in Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Program revenues	\$ 731,858	\$ 858,293	\$ 1,020,176
General revenues	419,508	12,982	88,145
Total revenues	<u>1,151,366</u>	<u>871,275</u>	<u>1,108,321</u>
Historic Pensacola Village and museum activities	49,695	45,187	40,557
Historic preservation and education programs	220,220	170,964	349,237
Pensacola Museum of Art	197,775	244,515	265,969
Management and general	603,084	325,762	412,931
Depreciation	430,967	412,580	408,032
Total expenditures/expenses	<u>1,501,741</u>	<u>1,199,008</u>	<u>1,476,726</u>
Change in net position	<u>\$ (350,375)</u>	<u>\$ (327,733)</u>	<u>\$ (368,405)</u>

**Capital Assets**

The Trust's investment in capital assets totaled \$4,137,243 (net of accumulated depreciation of \$2,614,034). Capital assets include land, buildings and improvements, and furniture, fixtures and equipment.

**Economic Factors**

Budgetary constraints of state and local governments can affect the Trust's funding.

**Requests for Information**

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

West Florida Historic Preservation, Inc.  
d/b/a University of West Florida Historic Trust  
Attn: Executive Director  
P.O. Box 12866  
Pensacola, FL 32591-2866

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
DBA UNIVERSITY OF WEST FLORIDA HISTORIC TRUST  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEETS  
JUNE 30, 2021 AND 2020**

	2021			2020		
	General Fund	Adjustments (Note 1)	Statement of Net Position	General Fund	Adjustments (Note 1)	Statement of Net Position
<b>Assets:</b>						
Cash	\$ 123,240	\$ -	\$ 123,240	\$ 173,724	\$ -	\$ 173,724
Certificates of deposit	179,506	-	179,506	179,288	-	179,288
Due from UWF Foundation	1,380,409	-	1,380,409	999,824	-	999,824
Grants and local support receivable	214,231	-	214,231	225,823	-	225,823
Accrued interest receivable	131	-	131	131	-	131
Inventory	106,480	-	106,480	109,824	-	109,824
Prepaid assets	11,307	-	11,307	11,057	-	11,057
Historical properties, antiques and collections	249,214	-	249,214	239,750	-	239,750
Deposits	834	-	834	834	-	834
Capital assets -						
Non-depreciable	-	1,010,660	1,010,660	-	1,010,660	1,010,660
Depreciable, net of accumulated depreciation	-	3,126,583	3,126,583	-	3,498,492	3,498,492
<b>Total Assets</b>	<u>\$ 2,265,352</u>	<u>\$ 4,137,243</u>	<u>\$ 6,402,595</u>	<u>\$ 1,940,255</u>	<u>\$ 4,509,152</u>	<u>\$ 6,449,407</u>
<b>Liabilities:</b>						
Note payable	\$ 278,690	\$ -	\$ 278,690	\$ -	\$ -	\$ -
Accounts payable	24,804	-	24,804	9,948	-	9,948
Deferred revenue	93,548	-	93,548	83,531	-	83,531
Total liabilities	<u>397,042</u>	<u>-</u>	<u>397,042</u>	<u>93,479</u>	<u>-</u>	<u>93,479</u>
<b>Fund Balance/Net Position:</b>						
Invested in capital assets	-	4,137,243	4,137,243	-	4,509,152	4,509,152
Nonspendable	367,835	(367,835)	-	361,465	(361,465)	-
Restricted/reserved	209,429	-	209,429	201,288	-	201,288
Assigned/designated	38,774	-	38,774	38,697	-	38,697
PMA assigned/designated	33,966	-	33,966	68,302	-	68,302
Unassigned/undesignated	1,218,306	367,835	1,586,141	1,177,024	361,465	1,538,489
Total fund balance/net position	<u>1,868,310</u>	<u>4,137,243</u>	<u>6,005,553</u>	<u>1,846,776</u>	<u>4,509,152</u>	<u>6,355,928</u>
<b>Total Liabilities and Fund Balance/Net Position</b>	<u>\$ 2,265,352</u>	<u>\$ 4,137,243</u>	<u>\$ 6,402,595</u>	<u>\$ 1,940,255</u>	<u>\$ 4,509,152</u>	<u>\$ 6,449,407</u>

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

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
DBA UNIVERSITY OF WEST FLORIDA HISTORIC TRUST  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE/NET POSITION  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	General Fund	Adjustments (Note 1)	Statement of Activities	General Fund	Adjustments (Note 1)	Statement of Activities
<b>Program Revenues:</b>						
Grants and local support	\$ 348,230	\$ -	\$ 348,230	\$ 350,605	\$ -	\$ 350,605
Admissions, including tours, Pensacola Museum of Art and school programs	104,376	-	104,376	228,873	-	228,873
Rents and leases	271,677	-	271,677	266,578	-	266,578
Museum store income, net	7,575	-	7,575	12,237	-	12,237
Total program revenues	<u>731,858</u>	<u>-</u>	<u>731,858</u>	<u>858,293</u>	<u>-</u>	<u>858,293</u>
<b>General Revenues:</b>						
Interest and dividends	12,163	-	12,163	20,959	-	20,959
Miscellaneous	68,539	-	68,539	17,599	-	17,599
Realized/unrealized gains (losses)	338,806	-	338,806	(25,576)	-	(25,576)
Total general revenues	<u>419,508</u>	<u>-</u>	<u>419,508</u>	<u>12,982</u>	<u>-</u>	<u>12,982</u>
Total revenues	<u>1,151,366</u>	<u>-</u>	<u>1,151,366</u>	<u>871,275</u>	<u>-</u>	<u>871,275</u>
<b>Expenditures/Expenses:</b>						
Historic Pensacola Village and museum activities	49,695	-	49,695	45,187	-	45,187
Historic preservation and education programs	220,220	-	220,220	170,964	-	170,964
Pensacola Museum of Art	197,775	-	197,775	244,515	-	244,515
Management and general	603,084	-	603,084	325,762	-	325,762
Depreciation	-	430,967	430,967	-	412,580	412,580
Capital outlay	59,058	(59,058)	-	182,405	(182,405)	-
Total expenditures/expenses	<u>1,129,832</u>	<u>371,909</u>	<u>1,501,741</u>	<u>968,833</u>	<u>230,175</u>	<u>1,199,008</u>
Change in fund balance/net position	21,534	(371,909)	(350,375)	(97,558)	(230,175)	(327,733)
<b>Fund Balance/Net Position, Beginning of Year</b>	<u>1,846,776</u>	<u>4,509,152</u>	<u>6,355,928</u>	<u>1,944,334</u>	<u>4,739,327</u>	<u>6,683,661</u>
<b>Fund Balance/Net Position, End of Year</b>	<u>\$ 1,868,310</u>	<u>\$ 4,137,243</u>	<u>\$ 6,005,553</u>	<u>\$ 1,846,776</u>	<u>\$ 4,509,152</u>	<u>\$ 6,355,928</u>

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

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
D/B/A UNIVERSITY OF WEST FLORIDA HISTORIC TRUST  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

*Organization and Purpose:*

West Florida Historic Preservation, Inc. (“WFHPI”), formerly Historic Pensacola, Inc., was organized as a not-for-profit corporation under Section 266.0018, Florida Statutes, to engage in the restoration and exhibition of historical landmarks in the vicinity of Pensacola, Florida. In 2001, Section 266.0018, Florida Statutes was repealed, at which time the legislature transferred the historic preservation responsibilities to the University of West Florida (“UWF”). On July 1, 2001, WFHPI was designated as a direct support organization of UWF under Section 267.1732, Florida Statutes, in order to assist UWF in carrying out its dual historic preservation and historic preservation education purposes and responsibilities. In November 2013, West Florida Historic Preservation, Inc. changed its name to West Florida Historic Preservation, Inc., d/b/a University of West Florida Historic Trust (“the Trust”).

The general operating authority of the Trust is contained in Section 267.1732, Florida Statutes (Chapter 2001-199, Laws of Florida). The Trust operates under an operating agreement with UWF and is considered a component unit of UWF.

Expenses paid by the Trust to renovate or modify property controlled by UWF and leased by the Trust are capitalized and reflected in buildings and improvements in these financial statements. The Trust assists UWF in operating, preserving and maintaining various historical properties owned by the State of Florida and controlled by UWF. Certain expenses related to these activities are directly paid by UWF and are not included in these financial statements. Those expenses, which are not reflected in these financial statements, are as follows:

	<u>2021</u>	<u>2020</u>
Telephone	9,269	\$ 8,020
Operating supplies	232	1,837
Office equipment rental	6,034	10,391
Electricity	82,045	135,842
Natural gas	14,259	22,227
Other utilities	54,644	67,198
Repairs and maintenance	17,362	20,643
Equipment	814	2,172
Contractual services	25,571	29,104
Security	12,212	19,190
Insurance	13,139	14,931
Permits	-	3,330
Other	8,307	7,973
	<u>          </u>	<u>          </u>
Totals	<u>\$ 243,888</u>	<u>\$ 342,858</u>

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
D/B/A UNIVERSITY OF WEST FLORIDA HISTORIC TRUST  
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

*Organization and Purpose (Continued):*

Salaries of UWF employees who staff the Trust are paid directly by UWF. These in-kind salaries amounted to \$1,410,367 and \$1,372,696 for the years ended June 30, 2021 and 2020, respectively, and are not reflected in the books of the Trust. Additionally, UWF donates office space in the Bowden Building located at 120 Church Street in downtown Pensacola, Florida to the Trust. Management estimates the fair value of this donated office space to be \$216,512 and \$178,304 for the years ended June 30, 2021 and 2020, respectively.

In November 2013, the Trust entered into a Memorandum of Understanding (“MOU”) with the University of West Florida Foundation (“UWFF”), a direct service organization of UWF, where all membership income is handled and recorded by UWFF. Membership income held by UWFF amounted to \$51,808 and \$47,420 as of June 30, 2021 and 2020, respectively.

Each state university board of trustees is authorized to permit the use of property, facilities, and personal services at any state university by any university direct support organization per Section 1004.28, Florida Statutes. Administrative and fiscal services, office space, and other miscellaneous support services are provided to UWF direct support organizations by UWF at no cost. No value is assigned to administrative and fiscal services in the accompanying statements of activities and governmental fund revenues, expenditures, and changes in fund balance/net position.

*Pensacola Museum of Art:*

On July 1, 2016, the assets of the Pensacola Museum of Art (“PMA”), an independent not-for-profit corporation, became part of UWF. On that date, UWFF was gifted a historic building, land, a fine arts collection, furniture and equipment, cash and cash equivalents, a permanent endowment, and other current assets from the dissolving entity totaling approximately \$4.2 million. UWFF transferred the historic building and land to UWF and the fine arts collection, furniture and equipment, and all other assets were transferred to the Trust, with the exception of the permanent endowment. The Trust maintains a management agreement with UWF covering the preservation of historic properties for UWF. UWFF will continue to steward the endowment for purposes of the PMA, now a division of the Trust. The new PMA division has a non-governing advisory board that reports to the Trust’s board of directors. Under the agreement, UWFF will handle all and record all membership income for the PMA. PMA membership income held by UWFF amounted to \$21,825 and \$21,159 as of June 30, 2021 and 2020, respectively.

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

*Measurement Focus, Basis of Accounting and Financial Statement Presentation:*

These financial statements have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (“GASB”). The Trust utilizes the following fund type:

- General Fund, a governmental fund, is used to account for all revenues and expenditures applicable to the general operations of the Trust that are not required either legally or by accounting principles generally accepted in the United States of America (“GAAP”) to be accounted for in another fund.

*Government-Wide Financial Statements:*

The government-wide financial statements (i.e., the statements of net position and governmental fund balance sheets and the statements of activities and governmental fund revenues, expenditures, and changes in fund balance/net position) report information on all of the activities of the Trust. Governments typically report activities as either governmental activities, which are supported by grants and other intergovernmental revenues, or business-type activities, which rely to a significant extent on fees and charges for support. The Trust reports its activities as governmental activities.

Because the Trust reports only governmental activities and only one program, it is considered to be a special-purpose government for financial reporting purposes under GAAP. As such, the government-wide financial statements are presented together with the governmental fund financial statements with an adjustment column presented to reconcile the two sets of statements.

The Trust has one governmental fund type, which is the General Fund. The General Fund is used to account for all resources and operations. Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Governmental Funds:*

The General Fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; that is, when they are measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Trust considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred. Primary revenues consist of charges for services, licenses, and permits. All of these revenues are susceptible to accrual.

*Use of Estimates:*

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

*Inventory:*

Inventory consists of merchandise held for resale in the museum gift shops. Inventory is stated at lower of cost or market and is accounted for under the first-in, first-out method.

*Capital Assets:*

Property and equipment are recorded at cost. Donated capital assets are recorded at their estimated fair market value on the date of contribution. Expenditures which equal or exceed \$5,000 that materially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance costs are charged to operations when incurred.

Depreciation is computed using the straight-line method. Estimated useful lives of property and equipment range as follows:

Buildings and improvements	10 - 40 years
Furniture, fixtures and equipment	5 - 10 years

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Historical Properties, Antiques, and Collections:*

Purchased historical properties, antiques, and collections that are held for educational and curatorial purposes are recorded at cost. Donated items are not capitalized but are recorded both as revenue and expense in the government-wide statement of activities. Whether purchased or donated, each item is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

Historical properties, antiques, and collections are acquired for purposes of preservation and display. Management considers these items to be historically significant and should be preserved perpetually. Accordingly, depreciation is not recorded for these items.

*Program Revenue:*

Program revenue from local governments and government grants is recorded based upon the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the performance of the services has been rendered. Such revenue is subject to audit by the grantor. If the examination results in a deficiency of allowable expenses, the Trust will be required to refund any deficiencies.

*Income Taxes:*

The Trust is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3). As a result, there is no provision for taxes in the accompanying financial statements.

*Donated Services, Materials, and Facilities:*

The Trust receives donated services from a variety of unpaid volunteers assisting in the museum and education programs. No amounts have been recognized in the accompanying statements of activities for these donated services.

As discussed previously, UWF pays certain expenses and donates office space to the Trust.

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

*Adjustments Between Governmental Fund Balance Sheets and Statements of Net Position:*

Capital assets are not financial resources and therefore are not reported in the governmental fund. Adjustment is made to include capital assets in the entity-wide statements of net position.

Designations of net position are considered to be an internal constraint on resources and, therefore, are not reported in the entity-wide statements of net position. Adjustment is made to remove designations of net position from the entity-wide statements of net position.

*Adjustments Between Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balances and Statements of Activities:*

Because capital assets are not reported in the governmental fund, no depreciation is recognized in the governmental fund statements of revenues, expenditures, and changes in fund balances. Instead, capital outlays are reported as expenditures. Adjustment is made to include depreciation expense and remove capital outlays in the entity-wide statements of activities.

*Reclassifications:*

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Trust's deposits and investments consist of demand deposits and certificates of deposit. The carrying amount of the Trust's deposits and investments at June 30, 2021 and 2020 was \$301,361 and \$351,427, respectively, and the bank balance was \$331,956 and \$375,977, respectively. The Trust's cash balances held by financial institutions are insured by the Federal Deposit Insurance Corporation up to certain limits.

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**NOTE 3 - DUE FROM UWFF**

In March 2013, the Trust entered into a MOU with UWFF, where the Trust may transfer current cash assets to UWFF to invest on the Trust's behalf. These funds are invested as a Quasi-Endowment with UWFF and will be part of the overall investment pool subject to spending and investment policies of UWFF as agreed to in the MOU. The Trust's investment with UWFF amounted to \$1,330,023 and \$999,824 at June 30, 2021 and 2020, respectively. In addition, at June 30, 2021, \$50,386 is due from UWFF from unused Paycheck Protection Program ("PPP") loan proceeds as stated in Note 5.

**NOTE 4 - CAPITAL ASSETS**

Capital assets consist of the following:

<b>June 30, 2021:</b>	Beginning Balance	Increases	Decreases	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Historic Pensacola Village</u>				
Land	\$ 1,010,660	\$ -	\$ -	\$ 1,010,660
Buildings and improvements	5,222,917	-	-	5,222,917
Furniture, fixtures and equipment	8,012	-	-	8,012
<u>Barkley House</u>				
Furniture, fixtures and equipment	17,489	-	-	17,489
<u>Pensacola Museum of Art</u>				
Furniture, fixtures and equipment	25,001	38,973	-	63,974
<u>General and Administrative</u>				
Furniture, fixtures and equipment	408,140	20,085	-	428,225
	<u>6,692,219</u>	<u>59,058</u>	<u>-</u>	<u>6,751,277</u>
Less accumulated depreciation	<u>2,183,067</u>	<u>430,967</u>	<u>-</u>	<u>2,614,034</u>
	<u>\$ 4,509,152</u>	<u>\$ (371,909)</u>	<u>\$ -</u>	<u>\$ 4,137,243</u>

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
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**NOTE 4 - CAPITAL ASSETS (Continued)**

<b>June 30, 2020:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Historic Pensacola Village</u>				
Land	\$ 1,010,660	\$ -	\$ -	\$ 1,010,660
Buildings and improvements	5,040,512	182,405	-	5,222,917
Furniture, fixtures and equipment	8,012	-	-	8,012
<u>Barkley House</u>				
Furniture, fixtures and equipment	17,489	-	-	17,489
<u>Pensacola Museum of Art</u>				
Furniture, fixtures and equipment	25,001	-	-	25,001
<u>General and Administrative</u>				
Furniture, fixtures and equipment	436,645	-	(28,505)	408,140
	<u>6,538,319</u>	<u>182,405</u>	<u>(28,505)</u>	<u>6,692,219</u>
Less accumulated depreciation	<u>1,798,992</u>	<u>412,580</u>	<u>(28,505)</u>	<u>2,183,067</u>
	<u>\$ 4,739,327</u>	<u>\$ (230,175)</u>	<u>\$ -</u>	<u>\$ 4,509,152</u>

Depreciation expense was \$430,967 and \$412,580 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 5 - NOTE PAYABLE**

On April 27, 2021, the Trust received loan proceeds in the amount of \$278,690 under the PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The PPP loan’s principal and accrued interest are forgivable to the extent that the proceeds are used for eligible purposes, subject to certain limitations. The Trust transferred the loan proceeds to UWFF for tracking purposes. As of June 30, 2021, total expenditures related to the PPP proceeds amounted to \$228,304 and the remaining \$50,386 is recorded in the Due from UWF Foundation on the accompanying Statements of Net Position and Governmental Fund Balance Sheets.

**NOTE 6 - DEFERRED REVENUE**

Rental revenue is considered earned when the event has occurred or the performance of the services has been rendered. Amounts received by the Trust in advance of the date of the event or performance of services are recorded as deferred revenue until the event has occurred or services are rendered. Total deferred revenue amounted to \$93,548 and \$83,531 at June 30, 2021 and 2020, respectively.

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
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**NOTE 7 - FUND BALANCE/NET POSITION**

In the financial statements, fund balances/net position are classified as follows:

*Nonspendable Fund Balance:*

Nonspendable fund balance represents amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Nonspendable fund balances as of June 30, 2021 and 2020 are presented as follows:

	<u>2021</u>	<u>2020</u>
Nonspendable -		
Inventory	\$ 106,480	\$ 109,824
Prepaid assets and deposits	12,141	11,891
Historical properties, antiques and collections	<u>249,214</u>	<u>239,750</u>
	<u>\$ 367,835</u>	<u>\$ 361,465</u>

*Restricted Fund Balance / Reserved Net Position:*

Restricted fund balance or reserved net position represent amounts that can be spent only for specific purposes required by law or other externally imposed conditions by grantors or creditors. Restricted fund balances/reserved net position as of June 30, 2021 and 2020 are presented as follows:

	<u>2021</u>	<u>2020</u>
Restricted -		
Old Christ Church fund	\$ 140,733	\$ 140,592
Kranc Property	57,500	57,500
Florida Conference AME Holding	4,196	3,196
Cemetery Projects	<u>7,000</u>	<u>-</u>
	<u>\$ 209,429</u>	<u>\$ 201,288</u>

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
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(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 - FUND BALANCE/NET POSITION (Continued)**

*Assigned Fund Balance / Designated Net Position:*

Assigned fund balance or designated net position represent amounts that are designated by the Board of Directors, under authorization governed in the Trust's By-Laws, for a particular purpose but not spendable until a majority vote of approval by the Board of Directors. The assigned fund balance/designated net position of \$38,774 and \$38,697 as of June 30, 2021 and 2020, respectively, represents the remaining cash balance in the Veal Education Fund.

PMA assigned fund balance or designated net position represents amounts that are designated by the Board of Directors but are not spendable until a majority vote of approval. In 2017, the Pensacola Museum of Art received a BP claim and the Board of Directors approved to designate these funds for future purchases of art work and collections to be held at the museum. The assigned fund balance/designated net position of \$33,966 and \$68,302 as of June 30, 2021 and 2020, respectively, represents the remaining designated BP funds.

*Use of Restricted Resources:*

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Trust's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Trust's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications, committed and then assigned fund balances, if any, before using unassigned fund balances.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

*Dependency on Government Support:*

The Trust receives a substantial amount of support from UWF, and state and local government agencies. A reduction in the level of future support from these entities could have a substantial effect on the Trust's programs and activities.

*UWF Agreement:*

As discussed in Note 1, the Trust is committed to assist UWF under an operating agreement which extends for an indefinite term.

**WEST FLORIDA HISTORIC PRESERVATION, INC.  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)**

*Coronavirus Disease 2019:*

During the year ended June 30, 2021, Coronavirus Disease 2019 (“COVID-19”) became a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of the report. As such, it is very uncertain as to the full magnitude that the pandemic will have on the Trust. Management is actively monitoring its financial condition, liquidity, operations, suppliers and industry, and workforce. Given the evolution of the COVID-19 outbreak, the Trust is not able to estimate the effects of the outbreak on its results of operations, financial condition, or liquidity.

**NOTE 9 - RISK MANAGEMENT**

The Trust is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Trust is insured for these risks. There were no insurance losses related to these risks in excess of insurance coverage in any of the three prior fiscal years. The Trust is not aware of any liabilities related to these risks as of June 30, 2021.

## **OTHER REPORTS**

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

Board of Directors  
West Florida Historic Preservation, Inc.  
d/b/a University of West Florida Historic Trust  
Pensacola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Florida Historic Preservation, Inc., d/b/a University of West Florida Historic Trust (“the Trust”), (a component unit of the University of West Florida), which comprise the statement of net position and governmental fund balance sheet as of June 30, 2021, and the related statement of activities and governmental fund revenues, expenditures, and changes in fund balance/net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2021.

**Internal Control Over Financial Reporting**

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

Board of Directors  
West Florida Historic Preservation, Inc.  
d/b/a University of West Florida Historic Trust  
Pensacola, Florida

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 Trust'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 *Governmental 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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida  
August 26, 2021



UNIVERSITY of WEST FLORIDA  
**HISTORIC TRUST**

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August 26, 2021

Saltmarsh, Cleaveland & Gund, CPAs  
900 North 12th Avenue  
P.O. Drawer 13207  
Pensacola, Florida 32591-3207

This representation letter is provided in connection with your audit of the financial statements of West Florida Historic Preservation, Inc., d/b/a University of West Florida Historic Trust (“the Trust”), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (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 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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 26, 2021 the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 10, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- 3) 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.
- 4) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amount receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the Trust is contingently liable, if any, have been properly recorded and disclosed.

### **Information Provided**

- 10) We have provided you with:
  - a) 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.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) 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.

- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
- a) Management;
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) 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 U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 17) 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.

**Government - specific**

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The Trust has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

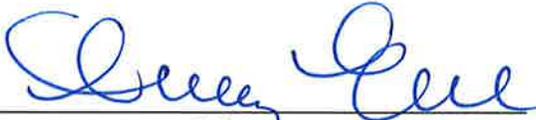
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 27) The entity 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.
- 28) The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 31) All funds that meet the quantitative criteria in GASB Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted), and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 40) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 41) We have appropriately disclosed the entity's 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 is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within 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 RSI.
- 44) The Trust is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Trust's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. Any required filings with tax authorities are up-to-date.
- 45) Management of the Trust considers recorded historical properties, antiques, and collections to have historic or cultural value. Those items are not depreciated because the Trust has the technical and financial ability to preserve the items perpetually.

As provided by you, we have read and reviewed a copy of the draft financial statements for the Trust for the years ended June 30, 2021 and 2020 and accept full responsibility for the amounts and disclosures contained therein. We have also reviewed any audit adjustments proposed by you during your recent examinations, all of which have been previously discussed.

We approve the draft and all audit adjustments by signing below and authorize you to issue final reports. The number of final reports requested total 20.

Signature:   
Robert Overton, Executive Director

Signature:   
Amy Eve, Office Manager

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
November 18, 2021

**Issue:** BOG/REG 4.003, External Program Review Requirement

**Proposed action:** Approval

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**Background Information:**

The Board of Governors Regulation 4.003, *SUS Compliance and Ethics Programs* require that each State University System university must undergo an external program review every 5 years to determine compliance with the aforementioned regulation and effectiveness in carrying out the program's mission.

The Office of Compliance and Ethics ("OCE") is recommending the Audit and Compliance Committee approve a two-person peer review team selected by Chief Compliance Officer, Matthew Packard. Specifically, Joann Campbell, Chief Compliance Officer, University of North Florida and David Blanton, Chief Compliance Officer & Chief Audit Executive at Florida Polytechnic University.

The scope of the peer review is outlined in the SUS Evaluation Tool, which has already been submitted for the Audit and Compliance Committee's reference.

As soon as a peer review team receives approval, the OCE will begin scheduling virtual interviews with applicable persons as requested by the peer review team. The estimated length of the engagement is 1 – 2 months, ending in early 2022 with the issuing of an official SUS 5-year Review Report.

**Recommendation:** Approval of D. Blanton and J. Campbell at the UWF Peer Review Team

**Implementation:** None

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

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**Prepared by:** Matthew Packard, Chief Compliance Officer, 850-857-6070, [mpackard@uwf.edu](mailto:mpackard@uwf.edu)

**Presenter:** Matthew Packard

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
November 18, 2021

**Issue:** Office of Compliance & Ethics - Update on Activities  
**Proposed action:** Informational

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**Background Information:**

To provide the Audit and Compliance Committee with an overview of activities.

1. Office of Compliance and Ethics update on activities

**Recommendation:** Informational Item  
**Implementation:** None  
**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees

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**Prepared by:** Matthew Packard, 857-6070, mpackard@uwf.edu  
**Presenter:** Matthew Packard

David A. Blanton, CPA, CCEP  
Bio

David currently serves the Chief Compliance Officer (CCO) and Chief Audit Executive (CAE) at Florida Polytechnic University. David was hired at the University in 2017 as the University's first CCO/CAE and was tasked with establishing both the audit and compliance functions at the University. Prior to his employment with Florida Poly, David was employed by the Florida Auditor General (AG) for 26 years, of which 11 of those years he served as the Audit Supervisor of the Lakeland section, responsible for planning, coordinating, managing and reviewing the work of 8 professional staff members. During his tenure with the AG, David's responsibilities included complex financial audits, information technology audits, quality assurance reviews for the Florida Department of Citrus's Inspector General, and various other engagements. Audit responsibilities with the AG included colleges, State agencies, district school boards, municipalities, and universities. David is a Certified Public Accountant and a Certified Compliance and Ethics Professional and recently conducted a Quality Assurance Review over internal audit operations at St. Leo University, which is very similar in nature to a Compliance Program Review.

## Biography

Joann N. Campbell, Ph.D.  
Chief Compliance and Ethics Officer  
University of North Florida

Dr. Joann Campbell serves as Chief Compliance and Ethics Officer at the University of North Florida and is celebrating 40 years as a staff member of the State University System of Florida (SUS). Joann started her career at the former Florida Board of Regents in the Office of Human Resources and Labor Relations. Responsibilities included administration and oversight of SUS personnel policies and procedures, collective bargaining agreements, and other federal and state regulatory requirements. Joann was also responsible for investigating grievances and other complaints, conducting classification, compensation, and compliance reviews, and supporting Systemwide personnel and labor relations initiatives. In her final years with the Board, Joann served as Chief Negotiator for the SUS (3 collective bargaining agreements).

Joann moved to the University of North Florida in 1997 as Associate Vice President for Academic Affairs, with responsibility for academic personnel administration and the Academic Affairs budget and space. She was appointed UNF's Chief Compliance Officer in 2011 with the responsibilities of Ethics Officer added in 2017. As CCO, Joann provides leadership in meeting the goals of the UNF Compliance and Ethics Program, is the point of contact for oversight of University compliance and ethics activities, including policies and procedures oversight, compliance and ethics training, education, and awareness programming, and addressing questions and concerns on compliance and ethics issues from compliance partners, community members, and others. In collaboration with the Chief Audit Executive, Joann co-chairs UNF's Compliance, Ethics, and Risk Oversight Committee (CEROC) and leads the UNF Enterprise Risk Management Process. Joann is also a member of the UNF Hotline Triage Team and a member of SUS and University councils and committees.

**UWF Board of Trustees Meeting**  
Audit & Compliance Committee  
November 18, 2021

**Issue:** Internal Auditing and Management Consulting - Update on Activities  
**Proposed action:** Informational

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Purpose: To provide the Committee with an overview of activities within Internal Auditing & Management Consulting, as required by the department Charter.

1. Status of audits in process
2. Audit follow up
3. Status of advisory/consulting activities
4. Miscellaneous items

**Recommendation:** Information only  
**Implementation:** None  
**Fiscal Implications:** Fiscal oversight by the UWF Board of Trustees

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**Supporting Document:**

**Prepared by:** Cindy Talbert, Associate VP/Chief Audit Executive, 474-2638, ctalbert@uwf.edu  
**Presenter:** Cindy Talbert