



AGENDA

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

**Audit & Operations Committee Meeting
November 19, 2015 - 9:00 a.m.**

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

Call to Order/Roll Call. Susan O'Connor, Chair

Greeting. Susan O'Connor

Action Item(s):

1. Acceptance of Internal Auditing Reports: Banner Student General IT Controls; Grade Integrity
2. Acceptance of Internal Auditing PCard Audit Reports 1st Quarter (July, 2015 – September, 2015)

Information Item(s):

1. External Audit: Direct Support Organization Financial Statement Audit: UWF BEI
2. External Audit: Direct Support Organization Financial Statement Audit: UWF Foundation
3. External Audit: Direct Support Organization Financial Statement Audit: Florida IHMC
4. External Audit: Direct Support Organization Annual Certification and Financial Statement Audit:
UWF Historic Trust
5. Internal Auditing Update
6. Revisions to UWF REG 2.028 University Holidays

Other Committee Business:

Adjournment

UWF Board of Trustees Meeting
Audit and Operations Committee
November 19, 2015

Issue: UWF Internal Auditing Reports Issued

Proposed action: Acceptance

Background information:

Internal Auditing & Management Consulting (IAMC) completed two audits during the period August 1, 2015 through September 30, 2015: Banner Student General IT Controls and Grade Integrity, which were part of the 2014/15 and 2015/16 audit plans.

I. Banner Student General IT Controls-15/16-002

With UWF's transition to Banner Student during 2014/15, internal auditing planned an audit of the general information technology controls. Internal Auditing was aware the expertise necessary to fully explore any vulnerabilities was beyond the present technical proficiency of our internal auditors; therefore, UWF contracted with an external firm to perform this audit. A contract for a special purpose review of general controls over Banner Security IT was negotiated. Fieldwork began in July 2015 and work completed in August 2015.

Results:

The audit resulted in numerous recommendations that were specifically developed to further strengthen the security and controls already established by ITS staff. The detailed report and action plan are available for inspection as needed by senior management and Trustees. Chapter 282.318(4)(f) Florida Statutes allows UWF to refrain from public dissemination of the report for security reasons.

Management's Actions: Management has developed a plan to address the issues noted in the report.

II. Grade Integrity-15/16-003

Objectives included evaluating internal controls over grade processing, including grade changes, withdrawals, incompletes, appeals, transcripts/grade reporting, and security over data systems for grades. Audit fieldwork began on July 1, 2015, and ended on August 31, 2015. The audit report was issued on September 25, 2015.

Results:

The audit identified two findings as follow (*expected implementation dates are in parenthesis*):

1. A periodic review of a report of users with ability to modify grades should be conducted by the Registrar's Office. (*April 4, 2016*)
2. Academic Affairs should ensure that faculty are sufficiently informed about topics related to grades, using appropriate methods of communication. (*Fall 2016*)

Management's Actions: Management has action plans to remedy each situation, as identified by the implementation dates noted above.

Recommendation: Acceptance of the Internal Auditing Reports

Implementation: Management will implement corrective actions. Internal Auditing will follow-up to determine if adequate corrective actions occurred.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Supporting documents:

UWF-15/16-002 Cover memo for the Banner Student General IT Controls audit

UWF-15/16-003 Internal Auditing Report Grade Integrity

Prepared by: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636

Presenter: Betsy Bowers, Associate Vice President

UWF Board of Trustees Meeting
 Audit & Operations Committee
 November 19, 2015

Issue: Internal Auditing PCard Audit Reports
 Quarter 1 Update (July 2015 – September 2015)
Proposed action: Acceptance

Purpose

To provide UWF Senior leadership a short, clear overview of the PCard audits completed during the quarter and highlight results. Our main objective is to report the status of PCard audits and any issues or findings requiring action.

Background

Internal Auditing has been charged with auditing PCard holder and approver activity as well as departmental activities and internal controls. The objectives of these audits were to determine if departments complied with UWF PCard policies and procedures, as well as to evaluate the level of understanding of PCard policies among PCard holders and approvers. UWF presently has 434 PCard holders distributed across 141 departments.

Notable Strengths

Files were well organized. Staff was well trained in PCard procedures.

Results for Quarter 1 (July – September 2015)

Four departments¹ encompassing 20 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 four departments and the amount tested. All reports are available from Internal Auditing.

Number of Departments Reviewed	Number of Cardholders	Number of Transactions Occurring	Number of Transactions Tested	Total PCard Expenditures of Depts.	Total PCard Transactions Tested
4	20	807	181	\$383,033	\$161,192
Audit Opinion for the PCard Audit¹					
EXCELLENT	GOOD	FAIR	POOR	Total	
2	2	0	0	4	

¹ Departments audited (listed by audit opinion): **Excellent** – Human Resources, Business and Auxiliary Services; **Good** – Center for Environmental Diagnostics and Bioremediation, Student Government Association; **Fair** – None; **Poor** – None.

Most Common Findings for Quarter 1 (July - September 2015)

1. The JP Morgan bank statements were not reviewed during the reconciliation process.
2. The monthly reconciliation report was not completed timely.

Recommendation:

Acceptance of the Internal Auditing PCard Reports for the First Quarter of Fiscal Year 2015-2016.

Implementation: For PCard audit reports issued during the first quarter (July - September 2015), management will implement corrective actions to be completed in fiscal year 2015/16. Internal Auditing will follow up to determine if adequate corrective actions occurred.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Prepared by: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636

Presenter: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636

UWF Board of Trustees Meeting
Audit & Operations Committee
November 19, 2015

Issue: Direct Support Organization Financial Statement Audit - UWF Business Enterprises, Inc. for FY 2014/15

Proposed action: Informational

Background information:

Per Master Management Agreement provision between UWF and BEI: Section 5 of the agreement between the University of West Florida and the UWF Business Enterprises, Inc. (BEI) dated December 9, 2011, 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:

To ensure compliance with the agreement, the Associate Vice President for Internal Auditing and Management Consulting performed a cursory review and determined compliance regarding the annual financial audit exists.

BEI received a clean unqualified opinion. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were noted.

Financial Highlights:

- The East Campus / Argonaut Village project continues in progress and nearing completion with build-outs for tenants expected to be completed in the fall of 2015. As part of the capital improvements under the two amendments to the dining and event services agreement, the vendor has invested \$3.85 million through the year ended June 30, 2015 to design and construct over 13,100 gross square feet of mixed use commercial and restaurant buildings at the east entrance of campus.
- The \$1.1 million bank loan to purchase Scenic Hills Country Club was renegotiated in FY15 and is now a five year \$997,206 bank loan at 4.75% interest, amortized over 17 years with a balloon payment due June 30, 2020.

Proposed Action: Report – No motion required

Implementation Plan: None

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

Supporting documents:

Audited Financial Statements for UWF Business Enterprises, Inc. for fiscal year ending June 30, 2015
Audit Communication Letter UWF BEI June 30, 2015

Prepared by: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636

Presenter: Betsy Bowers, Associate vice President, bbowers@uwf.edu, 850-474-2636

UWF Board of Trustees Meeting
Audit and Operations Committee
November 19, 2015

Issue: External Audit: Financial Statement Audit of Direct Support Organization—University of West Florida Foundation, Inc.

Proposed action: Information Only

Background information:

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. The UWF Foundation, Inc. audit has been completed.

To ensure compliance with the agreement, the Associate Vice President for Internal Auditing and Management Consulting performed a cursory review and determined compliance regarding the annual financial audit exists.

Results:

UWF Foundation received a clean unqualified opinion. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were reported.

Financial Highlights:

In its financial statement audit report, several significant financial activities as of 6/30/15 for the UWF Foundation were noted:

- The fair value of long-term investments was \$73,557,825
- Net property and equipment was \$52,245,390
- Bonds payable, net of unamortized discount was \$51,231,817

Proposed Action: Report – No motion required

Implementation Plan: None

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

Supporting document:

Financial Statement Audit Report for the University of West Florida Foundation, Inc., for fiscal year ending June 30, 2015

Prepared by: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636

Presenter: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

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

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
University of West Florida Foundation, Inc.
Pensacola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West Florida), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Board of Directors
University of West Florida Foundation, Inc.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedules of Student Housing System Revenues and Expenses, Financial Position (Excluding the Student Housing System), and Functional Expenses have been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The accompanying Schedules of Receipts, Expenses and Endowment Balances for the Chairs Under Eminent Scholars Program and the Major Gifts Program have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Foundation's internal control over financial reporting and compliance.



Pensacola, Florida
August 28, 2015

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

To the Board of Directors
University of West Florida Foundation, Inc.
Pensacola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West Florida), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2015.

Internal Control Over Financial Reporting

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

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

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.

Board of Directors
University of West Florida Foundation, Inc.

Compliance and Other Matters

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

Purpose of this Report

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



Pensacola, Florida
August 28, 2015

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Cash and cash equivalents	\$ 1,592,636	\$ 4,233,532
Restricted cash equivalents	12,454,548	10,793,242
Contributions receivable, net	2,170,155	3,250,980
Other receivables, net	148,922	173,381
Due from University	379,616	365,798
Prepaid expenses	126,949	145,407
Long-term investments	73,557,825	71,617,969
Property and equipment, net	52,245,390	53,625,450
Assets held under split interest agreements	295,598	311,850
Bond issue costs, net	975,296	1,312,006
Other assets	255,066	190,126
	Total Assets	Total Assets
	\$ 144,202,001	\$ 146,019,741

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 736,115	\$ 694,960
Liabilities held under split interest agreements	198,375	198,715
Due to West Florida Historic Trust	1,238,099	1,235,904
Bonds payable, net	51,231,817	53,206,819
Total liabilities	53,404,406	55,336,398

Commitments and Contingencies

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Net Assets:

Unrestricted -		
Undesignated	1,962,380	1,951,989
Board designated	1,877,694	1,564,843
Student Housing System	10,985,957	10,302,761
Total unrestricted	14,826,031	13,819,593
Temporarily restricted	26,024,342	27,188,685
Permanently restricted	49,947,222	49,675,065
Total net assets	90,797,595	90,683,343
	Total Liabilities and Net Assets	Total Liabilities and Net Assets
	\$ 144,202,001	\$ 146,019,741

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

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UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	Unrestricted		Temporarily Restricted	Permanently Restricted	2015 Total
	Foundation	Student Housing			
Revenue, Support and Reclassifications:					
Contributions	\$ 893,763	\$ -	\$ 2,309,147	\$ 1,403,098	\$ 4,606,008
Interest and dividends	21,547	-	994,289	-	1,015,836
Net unrealized and realized gain on long-term investments	712,404	-	389,302	-	1,101,706
Student housing system	-	11,919,522	-	-	11,919,522
Other income	179,844	-	-	-	179,844
Reclassification of net assets	-	-	106,099	(106,099)	-
Net assets released from restrictions	4,963,180	-	(4,963,180)	-	-
 Total revenue, support and reclassifications	 6,770,738	 11,919,522	 (1,164,343)	 1,296,999	 18,822,916
Expenses:					
Direct program services -					
Scholarships	1,124,533	-	-	-	1,124,533
Other program services	3,165,448	-	-	-	3,165,448
Student housing system	-	11,236,326	-	-	11,236,326
Total direct program services	4,289,981	11,236,326	-	-	15,526,307
Supporting services -					
Fundraising	386,453	-	-	-	386,453
General and administrative	1,771,062	-	-	-	1,771,062
Total supporting services	2,157,515	-	-	-	2,157,515
Total expenses	6,447,496	11,236,326	-	-	17,683,822
Loss from cancelled restricted contributions	-	-	-	1,024,842	1,024,842
Total expenses and losses	6,447,496	11,236,326	-	1,024,842	18,708,664
Change in Net Assets	323,242	683,196	(1,164,343)	272,157	114,252
Net Assets, Beginning of Year	3,516,832	10,302,761	27,188,685	49,675,065	90,683,343
Net Assets, End of Year	\$ 3,840,074	\$ 10,985,957	\$ 26,024,342	\$ 49,947,222	\$ 90,797,595

Unrestricted		Temporarily Restricted	Permanently Restricted	2014 Total
Foundation	Student Housing			
\$ 102,406	\$ -	\$ 2,918,982	\$ 1,995,953	\$ 5,017,341
5,531	-	975,328	-	980,859
726,646	-	8,811,959	-	9,538,605
-	11,593,634	-	-	11,593,634
98,536	-	-	-	98,536
-	-	(17,850)	17,850	-
<u>5,877,673</u>	<u>-</u>	<u>(5,877,673)</u>	<u>-</u>	<u>-</u>
<u>6,810,792</u>	<u>11,593,634</u>	<u>6,810,746</u>	<u>2,013,803</u>	<u>27,228,975</u>
1,153,933	-	-	-	1,153,933
3,781,896	-	-	-	3,781,896
-	11,164,401	-	-	11,164,401
<u>4,935,829</u>	<u>11,164,401</u>	<u>-</u>	<u>-</u>	<u>16,100,230</u>
454,610	-	-	-	454,610
1,126,138	-	-	-	1,126,138
<u>1,580,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,580,748</u>
<u>6,516,577</u>	<u>11,164,401</u>	<u>-</u>	<u>-</u>	<u>17,680,978</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>94,150</u>	<u>94,150</u>
<u>6,516,577</u>	<u>11,164,401</u>	<u>-</u>	<u>94,150</u>	<u>17,775,128</u>
294,215	429,233	6,810,746	1,919,653	9,453,847
<u>3,222,617</u>	<u>9,873,528</u>	<u>20,377,939</u>	<u>47,755,412</u>	<u>81,229,496</u>
<u>\$ 3,516,832</u>	<u>\$ 10,302,761</u>	<u>\$ 27,188,685</u>	<u>\$ 49,675,065</u>	<u>\$ 90,683,343</u>

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ 114,252	\$ 9,453,847
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities -		
Net unrealized and realized gain on long-term investments	(1,101,706)	(9,538,605)
Contributions restricted for long-term purposes	(1,403,098)	(1,995,953)
Bad debt expense (recovery)	(3,634)	66,845
Loss from cancelled restricted contributions	1,024,842	94,150
Loss on bond defeasance	341,042	-
Change in fair value of -		
Contributions receivable	(77,490)	238,417
Split interest agreements	15,912	(5,654)
Cash surrender value of insurance policies	(64,940)	(62,691)
Depreciation and amortization of bond issuance costs	2,772,363	2,760,156
Net amortization of bond discount	8,313	8,051
Change in operating assets and liabilities -		
Contributions receivable	132,830	(1,063,651)
Other receivables	28,736	(67,711)
Due from University	(13,818)	(365,798)
Prepaid expenses	18,458	(52,626)
Accounts payable and accrued expenses	41,155	(478,838)
Net cash provided by (used in) operating activities	1,833,217	(1,010,061)
Cash Flows From Investing Activities:		
Purchases of investments	(15,635,497)	(18,065,407)
Proceeds from sales, maturities, and distributions of investments	14,797,347	17,656,211
Acquisition of property and equipment	(1,325,179)	(467,609)
Due to West Florida Historic Trust	2,195	419,390
Net cash used in investing activities	(2,161,134)	(457,415)
Cash Flows From Financing Activities:		
Proceeds from bond issuance	14,393,280	-
Defeasance of bond	(14,880,000)	-
Bond principal payments	(1,446,000)	(1,976,000)
Bond issuance costs	(122,051)	-
Contributions to permanent endowments	1,403,098	1,995,953
Net cash provided by (used in) financing activities	(651,673)	19,953
Net Decrease in Cash and Cash Equivalents	(979,590)	(1,447,523)
Cash and Cash Equivalents at Beginning of Year	15,026,774	16,474,297
Cash and Cash Equivalents at End of Year	\$ 14,047,184	\$ 15,026,774

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)

	2015	2014
Analysis of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 1,592,636	\$ 4,233,532
Restricted cash equivalents	12,454,548	10,793,242
	\$ 14,047,184	\$ 15,026,774
 Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 2,696,218	\$ 2,676,494

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The University of West Florida Foundation, Inc. (the “Foundation”) was organized as a Florida not-for-profit corporation in 1965 for the purpose of soliciting, receiving, and administering gifts and bequests of property and funds for scientific, educational, and charitable purposes, all for the advancement of the University of West Florida (the “University”) and its objectives. The Foundation is a direct-support organization of the University, as provided for in Section 1004.28, Florida Statutes, and Rule 6C-9.011, Florida Administrative Code, and therefore is considered a component unit of the University.

The Foundation owns the Student Housing System and is responsible for the management thereof, along with the associated revenues, expenses and debt related to the operation of these projects as further described in Note 13 to the financial statements.

Basis of Accounting:

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

Basis of Presentation:

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use all of the investment return on these assets. Such assets primarily include the Foundation’s permanent endowment funds.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time. Such assets are available for use by the various colleges and departments of the University, as designated by the donors to the Foundation.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the action of the governing board, including quasi-endowments, or may otherwise be limited by contractual agreements with outside parties.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued):

Unrestricted net assets - student housing system - Unrestricted net assets designated through bond covenant restrictions for the specific purpose of bond repayment for the Student Housing System.

Contributions:

Contributions are reported as temporarily restricted if the donor limits the use of the donated assets. When the restrictions expire, these temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as *net assets released from restrictions*. Contributions of endowments are reported as permanently restricted since the corpus is invested in perpetuity. All other contributions having no restrictions are reported as unrestricted.

The Foundation has elected to record unconditional promises to give at fair value. Management believes the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques at historical discount rates. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable at year-end. Conditional promises to give are not recorded in the financial statements.

In the event a donor makes changes to the nature of a restricted gift which affect its classification among the net asset categories, such amounts are reflected as net assets released from restrictions in the revenues section of the statement of activities.

Non-cash contributions are recorded at fair market value at the time of donation.

Each state university board of trustees is authorized to permit the use of property, facilities, and personal services at any state university by any university direct support organization per Section 1004.28, Florida Statutes. Administrative and fiscal services, office space, and other miscellaneous support services are provided to University direct support organizations by the University. As discussed in Note 7, FASB ASC 958, *Not-for-Profit Entities*, requires the recognition and measurement for services received from affiliated not-for-profit organizations when not charged.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash placed with the University, and a portion of cash placed with the State Treasury Special Purpose Investment Account (“SPIA”).

In March 2015, SPIA enacted liquidity requirements limiting the amount of money SPIA participants could withdraw from their accounts. The portion considered liquid is calculated as forty percent of the previous three months’ average daily balance.

For the purpose of reporting cash flows, the Foundation considers all highly liquid investments with original maturities of three (3) months or less to be cash equivalents. Under this definition, the Foundation considers the liquid portion of SPIA deposits to be cash equivalents.

Restricted Cash Equivalents:

Restricted cash equivalents represent funds held by the University, a portion of SPIA, and by bond trustees for construction of on-campus housing, debt service, and maintenance of reserves required under the bond indentures. With the newly enacted liquidity requirements, SPIA established a minimum balance for each account. Each SPIA participant is required to give six months’ notice for all withdrawals below the floor, which is calculated as sixty percent of the previous three months’ average daily balance.

Investments:

The Foundation has created various pools for the investment of funds on a consolidated basis. All investments are reported at fair value.

Investment income (interest, dividends, realized and unrealized gains or losses) from endowment and restricted operating funds is recognized as temporarily restricted investment income in accordance with donor stipulations. Income from all other operating funds is recognized as unrestricted investment income. There are no permanent restrictions on investment income.

Property and Equipment:

Property and equipment consists of office equipment and property held for lease, future use, or sale. Purchased assets are recorded at cost, while donated assets are recorded at fair market value at the date of donation. Depreciation is allocated over the estimated useful lives of the respective assets on a straight-line basis. Where a contributed asset has an uncertain fair market value due to deed restrictions, the Foundation records no value for the property.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued):

The Foundation capitalizes interest costs on borrowing incurred during the construction of qualifying assets. The capitalized interest is amortized over the life of the borrowing.

Collections:

The Foundation has capitalized its collections since its inception. Collections consist of paintings donated to the Foundation. Works of art are stated at the estimated fair market value at the time of donation. Gains and losses on the deaccession of donated collection items are classified in the statement of activities based on the absence or existence and nature of donor restrictions placed on the item at the time of donation.

Split-Interest Agreements:

The Foundation serves as trustee for split-interest agreements classified as charitable gift annuities and charitable remainder unitrust. Assets received under these agreements are recorded at fair market value and the liabilities to make future payments under these agreements are recorded at present value, with the difference reported as a gain or loss. These assets and liabilities are adjusted to reflect changes in their fair market value and present value. The determination of the present value of liabilities under split-interest agreements is based on discount rates and mortality tables established by the Internal Revenue Code and Regulations.

Bond Discounts/Issuance Costs:

Bond discounts and issuance costs are amortized over the terms of the bonds using the straight-line method since the difference between this method and the effective interest method is not material to the financial statements. Bond discounts are presented as a reduction of the face amount of bonds payable.

Compensated Absences:

Employees of the Foundation are entitled to paid vacation and sick days depending on job classification, length of service and other factors. Upon termination of employment, an employee will be paid for accumulated annual leave. In addition, an employee with ten or more years of service may be paid for a portion of their accumulated sick leave.

At June 30, 2015 and 2014, accrued compensated absences totaling \$243,114 and \$311,074 were reported as a component of accrued expenses in the accompanying financial statements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Program Services:

Other program services consist of expenditures released from temporarily restricted net assets based on donor-imposed stipulations to support the objectives of the University and/or its various colleges and departments.

Income Taxes:

The Foundation is a nonprofit organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. However, income from certain investment activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Estimates:

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

Retirement Plan:

As discussed in more detail in Note 12, Foundation employees may elect to participate in the Florida Retirement System consisting of a defined benefit plan; the Deferred Retirement Option Program, an alternative method for retirement payment; and the Public Employee Optional Retirement Program, a defined contribution plan. These plans have vesting and service requirements. Certain eligible faculty and administrators may also elect to participate in the Optional Retirement Program, a defined contribution plan which provides full and immediate vesting of contributions. Certain key University personnel participate in a money-purchase retirement savings plan with specific vesting schedules.

Reclassifications:

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events:

Management has evaluated subsequent events through August 28, 2015, the date which the financial statements were available for issue.

NOTE 2 - RESTRICTED CASH EQUIVALENTS

Restricted cash equivalents at June 30 consist of the following:

	2015	2014
Housing operating reserves	\$ 1,173,603	\$ 1,173,659
Housing replacement reserves	1,049,230	1,364,344
Housing contingency and improvement reserve	6,924,267	6,267,239
Courtelis reserve	861,986	987,591
SPIA operating reserves	1,444,832	-
2009 bond issuance - Special interest checking	1,000,623	1,000,401
2010 bond interest	6	7
2011 bond issuance - Principal	1	1
	\$ 12,454,548	\$ 10,793,242

NOTE 3 - CONTRIBUTIONS RECEIVABLE

The Foundation records unconditional promises to give using fair value adjusted for the current year end discount rates, ranging from 0% to 38%, based on the prevailing five-year Treasury constant maturities. The current year fair value adjustment to contributions revenue for temporarily and permanently restricted was \$55,497 and \$327,949 respectively. For the year ending June 30, 2014, the fair value adjustment to contributions revenue for temporarily and permanently restricted was \$45,844 and \$415,092, respectively. Multi-year contributions receivable are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions. In 2015 and 2014, there were no transfers of contributions receivable into or out of Level 3.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

Unconditional promises to give at June 30 are due as follows:

	2015	2014
In one year or less	\$ 461,161	\$ 953,098
Between one and five years	541,361	1,081,360
Greater than five years	1,552,930	1,678,750
Total contributions receivable, gross	2,555,452	3,713,208
Less discounts to net fair value	383,446	460,936
Less allowance for doubtful accounts	1,851	1,292
	\$ 2,170,155	\$ 3,250,980

The table below presents information about unconditional promises to give measured at fair value at June 30, 2015:

	Temporarily Restricted	Permanently Restricted
Promises measured at Fair Value		
Promised cash flows	\$ 606,375	\$ 1,949,077
Fair value estimate	\$ 550,878	\$ 1,621,128
Measurement basis	Level 3	Level 3
Contribution revenue	\$ 55,497	\$ 327,949
Total changes included in the statement of activities	\$ 55,497	\$ 327,949

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

The table below presents information about unconditional promises to give measured at fair value at June 30, 2014:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Promises measured at Fair Value		
Promised cash flows	\$ 530,132	\$ 3,183,076
Fair value estimate	\$ 484,288	\$ 2,767,984
Measurement basis	Level 3	Level 3
Contribution revenue	\$ 45,844	\$ 415,092
 Total changes included in the statement of activities	 \$ 45,844	 \$ 415,092

Changes in unconditional promises to give for the year ended June 30, 2015 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning balance, July 1, 2014	\$ 484,288	\$ 2,767,984
New promises received	309,775	318,000
Collections	(328,532)	(431,999)
Contribution revenue	(9,653)	87,143
Management and general (write-offs)	-	(1,025,000)
Change in pledge terms	95,000	(95,000)
 Ending balance, June 30, 2015	 <u>\$ 550,878</u>	 <u>\$ 1,621,128</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

Changes in unconditional promises to give for the year ended June 30, 2014 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning balance, July 1, 2013	\$ 388,437	\$ 2,215,559
New promises received	369,523	1,269,500
Collections	(178,641)	(394,688)
Contribution revenue	(40,030)	(198,387)
Management and general (write-offs)	(59,001)	(124,000)
Change in pledge terms	4,000	-
	<u>484,288</u>	<u>-</u>
Ending balance, June 30, 2014	<u>\$ 484,288</u>	<u>\$ 2,767,984</u>

Conditional promises to give amounted to \$2,438,052 at June 30, 2015 for state matching funds from the State of Florida Major Gifts Trust Fund. The funds will be forwarded to the Foundation in the event that future appropriations are made by the state legislature.

NOTE 4 - OTHER RECEIVABLES

Other receivables at June 30 consist of the following:

	<u>2015</u>	<u>2014</u>
Student loan fund	\$ 62,119	\$ 61,692
Rent, less allowance of \$157,616 in 2015 and \$161,892 in 2014	71,476	93,413
Other	<u>15,327</u>	<u>18,276</u>
Net other receivables	<u>\$ 148,922</u>	<u>\$ 173,381</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 4 - OTHER RECEIVABLES (Continued)

The Student Loan Fund, established through contributions, provides low-interest, short-term loans to students. All transactions are conducted through the University's cashiers' office. The Student Loan Program is made up of accounts receivable for loans to students, funds held at the University available for loans to students, and funds invested in a quasi endowment at the Foundation. The Foundation holds \$198,483 that is invested in a quasi endowment. Earnings in the quasi endowment are transferred to the University, as needed, to support the Student Loan Program.

NOTE 5 - LONG-TERM INVESTMENTS

Investments in the long-term pool are carried at fair value and consist of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
June 30, 2015:			
Equity securities -			
Common stock and mutual funds	\$ 38,276,175	\$ 43,878,543	\$ 5,602,368
Debt securities	10,129,034	10,332,591	203,557
Alternative investments -			
Fund of fund hedge funds	11,005,742	15,815,353	4,809,611
Private equity investments	1,659,878	2,032,648	372,770
Real estate investment trust	1,434,679	1,498,690	64,011
	<u>\$ 62,505,508</u>	<u>\$ 73,557,825</u>	<u>\$ 11,052,317</u>
June 30, 2014:			
Equity securities -			
Common stock and mutual funds	\$ 35,436,134	\$ 43,091,235	\$ 7,655,101
Debt securities	9,973,105	10,354,747	381,642
Alternative investments -			
Fund of fund hedge funds	11,005,742	15,241,975	4,236,233
Private equity investments	1,493,648	1,753,691	260,043
Real estate investment trust	1,196,492	1,176,321	(20,171)
	<u>\$ 59,105,121</u>	<u>\$ 71,617,969</u>	<u>\$ 12,512,848</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 - LONG-TERM INVESTMENTS (Continued)

Wells Fargo is the custodian for the Foundation's equity securities, debt securities and fund of fund hedge funds.

As further discussed in Note 11, the fair market value of all endowed investments was at a level above the minimum required by donor stipulations, totaling \$10,786,244. However, individual donor-restricted endowment funds were deficient, totaling approximately \$84,000, where the fair value of the investments at June 30, 2015 was less than the level required by the donor stipulations.

The net return on investments was as follows:

	Total Unrestricted	Temporarily Restricted
Year Ended June 30, 2015 -		
Dividends and interest	\$ 21,547	\$ 994,289
Net realized gain on investments	55,225	2,502,871
Unrealized gain (loss) on investments	657,179	(2,113,569)
	<u>733,951</u>	<u>(2,113,569)</u>
Total return on investments	<u>\$ 733,951</u>	<u>\$ 1,383,591</u>
Year Ended June 30, 2014 -		
Dividends and interest	\$ 5,531	\$ 975,328
Net realized gain on investments	17,493	3,045,348
Unrealized gain on investments	709,153	5,766,611
	<u>732,177</u>	<u>5,766,611</u>
Total return on investments	<u>\$ 732,177</u>	<u>\$ 9,787,287</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30:

	2015	2014
Land	\$ 1,454,483	\$ 1,454,483
Property held under capital lease	74,189,996	73,572,305
Office equipment and software	465,051	465,051
Construction in progress	954,362	246,873
	77,063,892	75,738,712
Less accumulated depreciation	24,818,502	22,113,262
	\$ 52,245,390	\$ 53,625,450

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was \$2,705,239 and \$2,691,639, respectively.

Property held under capital lease represents the University's Student Housing System, which consists of the following: the South Side facilities constructed in 1966 and 1972; the Villages Phase I (West) and II (East), completed in 1997 and 1999, respectively; the first (Martin Hall), the second (Pace Hall), and the third (Argo Hall) portions of Phase III completed in 2000, 2001, and 2004, respectively; and the first (Heritage Hall) and the second (President's Hall) portions of Phase IV completed in 2010 and 2012, respectively. The buildings under capital lease are depreciated over the lease term, which is effectively 30 years, and the furniture, fixtures, and equipment are depreciated over their useful life of 5 - 10 years. Amortization of property under capital lease is included in depreciation expense. At June 30, 2015 and 2014, amortization of the property under capital lease totaled \$2,668,812 and \$2,654,569, respectively. See Note 13 for further capital lease disclosure.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - RELATED PARTY TRANSACTIONS

At June 30, 2015 and 2014, the Foundation and the University jointly determined an amount for the Foundation to deposit with the University to be used to manage and pay expenses for the Foundation's operations. Payroll, other University departments, and program expenses that are funded from the Foundation are paid through the University utilizing these funds. At June 30, 2015 and 2014, the cash balances held by the University were \$379,616 and \$365,798, respectively, and were included in due from University.

In March of 2013, the Foundation entered into a Memorandum of Understanding with the University of West Florida Historic Trust ("WFHT"), another DSO of the University, where WFHT may transfer current cash assets to the Foundation to invest on their behalf. These funds are invested as a Quasi-Endowment with the Foundation and will be part of the overall investment pool subject to spending and investment policies of the Foundation as agreed to in the memorandum. Funds invested by WFHT in the Foundation's investment pool totaled \$1,238,099 and \$1,235,904 at June 30, 2015 and 2014, respectively, and are included in due to WFHT.

As a direct support organization, the Foundation received support from the University in performance of its mission. FASB ASC 958, *Not-for-Profit Entities*, requires recognition and measurement for services received from affiliated non-for-profit organizations when not charged. Salaries and benefits of University employees providing such support total approximately \$764,000 and \$735,000 in 2015 and 2014, respectively, and are included in general and administrative expenses. The University also provides centralized payroll processing and IT support that management estimates as immaterial to these financial statements.

NOTE 8 - BOND ISSUE COSTS

Bond issuance costs relate to the dormitory and housing system revenue bonds. Bond issuance costs are summarized as follows:

	2015	2014
Bond issue costs	\$ 1,192,645	\$ 1,693,480
Less accumulated amortization	217,349	381,474
Bond issue costs, net	\$ 975,296	\$ 1,312,006

Bond issuance costs are being amortized by the straight-line method over the remaining lives of the bonds from 13.5 - 26 years. At June 30, 2015 and 2014, amortization of bond issuance costs totaled \$67,124 and \$68,517, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 - BONDS PAYABLE

Revenue Bonds consist of the following at June 30:

	2015	2014
\$14,393,280 Dormitory Refunding Revenue Bonds, Series 2015, due in annual installments of \$709,936 to \$1,120,171, from June 1, 2016 through June 1, 2031 with an interest rate of 3.10% due semiannually, June 1 and December 1	\$ 14,393,280	\$ -
\$18,290,000 Dormitory Refunding Revenue Bonds, Series 2005, due in annual installments of \$50,000 to \$1,235,000, from June 1, 2006 through June 1, 2031 with interest ranging from 3.75% to 5.00% due semiannually, June 1 and December 1	-	14,880,000
\$15,000,000 Dormitory Revenue Bonds, Series 2009, due in annual installments of \$487,000 to \$1,190,000, from June 1, 2011 through June 1, 2029 with an interest rate of 5.09% due semiannually, June 1 and December 1	12,304,000	12,898,000
\$11,717,000 Dormitory Refunding Revenue Bonds, Series 2010, due in annual installments of \$474,000 to \$885,000, from June 1, 2011 through June 1, 2028 with an interest rate of 3.95% due semiannually, June 1 and December 1	9,226,000	9,758,000
\$16,525,000 Dormitory Revenue Bonds, Series 2011, due in annual installments of \$300,000 to \$1,120,000, from June 1, 2013 through June 1, 2040 with interest ranging from 3.00% to 5.875% due semiannually, June 1 and December 1	15,595,000	15,915,000
Bonds payable	51,518,280	53,451,000
Less unamortized discount	286,463	244,181
Bonds payable, net of unamortized discount	\$ 51,231,817	\$ 53,206,819

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NOTE 9 - BONDS PAYABLE (Continued)

Interest of \$191,149 and \$216,319 was accrued on the bonds as of June 30, 2015 and 2014, respectively.

Maturities of the Revenue Bonds are as follows:

<u>For the year ending</u>	
2016	\$ 2,217,936
2017	2,307,544
2018	2,391,997
2019	2,491,196
2020	2,591,871
Thereafter	<u>39,517,736</u>
	<u><u>\$ 51,518,280</u></u>

During fiscal year 2015, the Foundation advance refunded the 2005 Dormitory Refunding Revenue bonds with a private placement bond sponsored through the Escambia County Housing Finance Authority. The transaction reduced total debt service payments by approximately \$2,169,000, a net present value savings of approximately 11.17% or \$1,661,000. As a result, the transaction is accounted for as an extinguishment of debt under FASB ASC 470, *Debt*. The refunding resulted in a difference between the reacquisition price and the net carrying amount of \$341,042 and is recorded in Student Housing expenses in the accompanying financial statements.

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

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

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

The bonds are secured by mortgages on the student housing facilities in addition to a pledge of revenues earned from their operation. The bonds require the Foundation to maintain various covenants, including one that requires student housing room rates to be maintained at a level that provides net revenues at least equal to 120% of annual debt service. The debt service ratio for the year ended June 30, 2015 was 139%. The Foundation is not aware of any violations of the covenants at June 30, 2015.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 10 - NET ASSETS

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Scholarships, student awards and loan funds	\$ 6,881,474	\$ 7,657,225
Faculty support, professorships and chairs	4,576,236	5,097,861
Foundation reserve fund	3,535,700	2,179,595
Programs and other	<u>11,030,932</u>	<u>12,254,004</u>
Total temporarily restricted net assets	<u>\$ 26,024,342</u>	<u>\$ 27,188,685</u>

Permanently restricted net assets consist of endowment fund assets to be held in perpetuity, with only the income to be expended. The following is a summary of permanently restricted net assets at June 30, 2015 and 2014, categorized by the purpose for which the income is expendable:

	<u>2015</u>	<u>2014</u>
Scholarships, student awards and loan funds	\$ 22,634,860	\$ 21,970,444
Faculty support, professorships and chairs	11,763,604	11,763,604
Programs and other	<u>15,548,758</u>	<u>15,941,017</u>
Total permanently restricted net assets	<u>\$ 49,947,222</u>	<u>\$ 49,675,065</u>

NOTE 11 - ENDOWMENTS

The Foundation's endowments consist of 249 individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 - ENDOWMENTS (Continued)

Interpretation of Relevant Law -

The Foundation's governing board with guidance from legal counsel has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("Florida UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Florida UPMIFA. In accordance with the Florida UPMIFA, the Foundation's governing board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Florida UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as a loan from unrestricted net assets. For the period ending June 30, 2015 and 2014, the amount of the loan was \$15,355 and \$1,845, respectively. The loan is offset against the net assets released from restrictions on the statement of activities. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the governing board.

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NOTE 11 - ENDOWMENTS (Continued)

Return Objectives and Risk Parameters -

The Foundation's governing board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce the desired minimum rate of return which is equal to the Consumer Price Index ("CPI") plus 400 basis points (4%) for spending, plus an additional 200 basis points (2%) for the operating budget on an annualized basis.

The Foundation expects its endowment funds, over time, to provide an average annual rate of return of approximately CPI plus 600 basis points (6%). Actual returns in any year may vary from this amount. The Investment Committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. Research has demonstrated that portfolio risk is best minimized through diversification of assets. The portfolio of funds is structured to maintain prudent levels of diversification. In terms of relative risk, the volatility of the portfolio is expected to be in line with general market conditions.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation's spending rate is calculated on a three year average of the market value of the endowments as of June 30. Spending is awarded for endowments greater than \$25,000 after a one year waiting period. The approved spending rate was 4.00% for fiscal years ended June 30, 2015 and 2014.

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NOTE 11 - ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued) -

The Foundation strives to balance the donor's desire to fund current program, faculty, and scholarship needs with the commitment to preserve over time the donor's gifts to the endowment corpus. Furthermore, the Foundation takes seriously its responsibility to provide prudent fiduciary management, oversight of the endowments, and intergenerational equity. However, the Foundation is aware that despite utilizing a well-diversified investment portfolio strategy and the best good faith efforts of its governing board, there will be times when the fair market value of an endowment may fall below the endowment corpus value creating underwater endowments. In the event an endowment falls underwater, the Foundation will use a 25% step down spending allocation method to slow the spending from the endowment. For each 10% an endowment is underwater, the allocated endowment spending (exclusive of the operating allocation) will be reduced by 25%. Any endowment more than 30% underwater will receive no endowment spending allocation. The intent of this policy is to attempt to continue to provide spending to support the scholarships, programs, and faculty as designated by the donor and within the limits of Florida laws, while also allowing the endowment to recover more quickly from economic downturns.

The Foundation's operating budget is generally two percent (2%) of the three year average of the market value of the investment portfolio. Pursuant to the proposal adopted by the governing board, the goal is to reduce the operating budget from two percent (2%) to one and one-half percent (1.5%) of the total investment assets. As such, for each \$1,000,000 increase in market value of the investment portfolio above \$50,000,000, the percentage for the operating budget will decrease by one basis point (0.01%), reaching the objective of 1.5% with assets of \$100,000,000. Using this formula, the budget rate for fiscal year 2015-2016 is 1.82%.

Changes in balances for donor and board restricted endowments by net asset class as of June 30, 2015 are as follows:

	<u>Expendable</u>		<u>Nonexpendable</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment balance, July 1, 2014	\$ 1,540,320	\$ 13,128,848	\$ 49,675,065	\$ 64,344,233
Contributions restricted for long term purpose	-	-	1,403,098	1,403,098
Loss from cancelled restricted contributions	-	-	(1,024,842)	(1,024,842)
Investment income	96,043	3,235,850	-	3,331,893
Net depreciation	(62,418)	(2,102,154)	-	(2,164,572)
Other changes	255,154	-	(106,099)	149,055
Amounts appropriated for expenditures	(34,121)	(3,192,206)	-	(3,226,327)
Endowment balance, June 30, 2015	<u>\$ 1,794,978</u>	<u>\$ 11,070,338</u>	<u>\$ 49,947,222</u>	<u>\$ 62,812,538</u>

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NOTE 11 - ENDOWMENTS (Continued)

Changes in balances for donor and board restricted endowments by net asset class as of June 30, 2014 are as follows:

	Expendable		Nonexpendable	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment balance, July 1, 2013	\$ 1,303,229	\$ 6,818,373	\$ 47,755,412	\$ 55,877,014
Contributions restricted for long term purpose	-	-	1,995,953	1,995,953
Loss from cancelled restricted contributions			(94,150)	(94,150)
Investment income	123,051	3,599,792	-	3,722,843
Net appreciation	168,273	5,734,356	-	5,902,629
Other changes	-	-	17,850	17,850
Amounts appropriated for expenditures	(54,233)	(3,023,673)	-	(3,077,906)
Endowment balance, June 30, 2014	<u>\$ 1,540,320</u>	<u>\$ 13,128,848</u>	<u>\$ 49,675,065</u>	<u>\$ 64,344,233</u>

The earnings from investments, and expenditures from those earnings, related to the permanently restricted nonexpendable balances for the years ended June 30, 2015 and 2014 are classified as temporarily restricted.

Endowment composition by type of fund as of June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted permanent endowments	\$ -	\$ -	\$ 48,326,431	\$ 48,326,431
Donor-restricted expendable balance from permanent endowments	-	10,786,244	-	10,786,244
Donor-restricted unconditional promises to give, at fair value	-	-	1,620,791	1,620,791
Donor-restricted quasi endowments	-	284,094	-	284,094
Board-designated quasi endowments	1,794,978	-	-	1,794,978
Total endowment balance	<u>\$ 1,794,978</u>	<u>\$ 11,070,338</u>	<u>\$ 49,947,222</u>	<u>\$ 62,812,538</u>

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NOTE 11 - ENDOWMENTS (Continued)

Endowment composition by type of fund as of June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Donor-restricted permanent endowments	\$ -	\$ -	\$ 46,902,575	\$ 46,902,575
Donor-restricted expendable balance from permanent endowments	-	12,845,257	-	12,845,257
Donor-restricted unconditional promises to give, at fair value	-	-	2,772,490	2,772,490
Donor-restricted quasi endowments	-	283,591	-	283,591
Board-designated quasi endowments	<u>1,540,320</u>	<u>-</u>	<u>-</u>	<u>1,540,320</u>
Total endowment balance	<u>\$ 1,540,320</u>	<u>\$ 13,128,848</u>	<u>\$ 49,675,065</u>	<u>\$ 64,344,233</u>

As of June 30, 2015 and 2014, \$2,079,072 and \$1,823,911, respectively, of net assets have been designated as quasi endowment funds to support the missions of the University. The quasi endowments resulting from internal designations are classified as unrestricted net assets. The quasi endowments resulting from donor designations are classified as temporarily restricted net assets.

NOTE 12 - RETIREMENT PLAN

Certain Foundation employees working in regularly established positions of the University are covered by the Florida Retirement System (“FRS”), a State-administered cost-sharing, multiple-employer, public employee defined benefit retirement plan (“Plan”). The Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other non-integrated programs. These include the Plan, a Deferred Retirement Option Program (“DROP”), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (“PEORP”). Participating employers include all State departments, counties, district school boards, universities and community colleges. Many municipalities and special districts have elected to be participating employers. Essentially all regular employees of participating employers are eligible.

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for military service.

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NOTE 12 - RETIREMENT PLAN (Continued)

The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. The University, as an employer participating in the Plan, paid an amount between 7.37% to 21.14% and 6.95% to 18.31% for 2015 and 2014, respectively, of each individual's salary to the retirement fund. Prior to July of 2011, the Plan was a non-contributory program for the employee. During 2015 and 2014, employees paid an amount of 3.00% into the Plan. Retirement expense for employees participating in this plan was \$76,844 and \$68,536 for the years ended June 30, 2015 and 2014, respectively.

DROP, subject to provisions of section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefits payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. Retirement expense for employees participating in this plan was \$2,254 for the year ended June 30, 2014.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. Employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocated contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. Retirement expenses for employees participating in this plan were \$18,273 and \$15,354 for the years ended June 30, 2015 and 2014, respectively.

Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program ("Program") for eligible State University System faculty and administrators. The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions may make an irrevocable election to participate in the Program rather than the Plan, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant an amount equal to a percentage of the participant's gross monthly compensation. The participant may contribute by salary deduction an amount not to exceed the percentage contributed by the University to the participant's annuity account. Contributions made to the Program for fiscal years ended June 30, 2015 and 2014 totaled \$56,811 and \$44,793, respectively.

Effective July 1, 2007, the University established a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code of 1986, as amended ("Code"), that is a governmental plan as defined under Code Section 414(d), to provide retirement benefits to eligible employees. Retirement expenses paid by the Foundation in 2015 and 2014 for the University President participating in the plan totaled \$37,290 and \$36,860, respectively.

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NOTE 13 - STUDENT HOUSING SYSTEM

The Foundation has a sublease agreement with the Florida Board of Education of the State of Florida on behalf of the University for use of land and certain existing student housing facilities. The lease requires the Foundation to construct additional student housing facilities and to operate the facilities as a consolidated housing system on behalf of the University.

The Student Housing System consists of eight projects, which are the following: the South Side facilities constructed in 1966 and 1972; the Villages Phase I (West) and II (East), completed in 1997 and 1999, respectively; the first (Martin Hall), the second (Pace Hall), and the third (Argo Hall) portions of Phase III completed in 2000, 2001, and 2004, respectively; and the first (Heritage Hall) and the second (President's Hall) portions of Phase IV completed in 2010 and 2012, respectively.

The terms of the sub-lease require the Foundation to pay the University rents of \$10 per year plus variable rent equal to 100% of the Surplus Earnings from the Student Housing System. Surplus Earnings represent cash flows after payment of the operating costs, debt service and reserves. No variable rent was due for either 2015 or 2014. The sub-lease agreement was signed in 1998 and ends August 31, 2038.

The Foundation and the University have a management operating agreement outlining the responsibilities of both parties for the operations of the Student Housing System. The current agreement was signed on June 14, 2012 and is effective through June 30, 2017.

NOTE 14 - CONCENTRATIONS

Uninsured Cash Balances:

The Foundation's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At June 30, 2015, the Foundation's uninsured cash balance at financial institutions totaled approximately \$369,000.

At June 30, 2015, the Foundation maintained approximately \$9,733,000 of cash and cash equivalent balances in the State of Florida's Division of Treasury's SPIA investment pool ("Pool"). This amount is the Foundation's pro-rata ownership in the Pool itself, not in the underlying securities. The Pool is invested in a combination of short-term liquid instruments and intermediate term fixed income securities. Federal depository insurance does not insure amounts in the Pool. At June 30, 2015, the Pool was rated at A+f by Standard and Poor's and had an effective duration of 2.67 years. Fair value for this account is determined by multiplying the Foundation's cost for its pro-rata share of the Pool by the Pool's Fair Value Factor ("Factor"). At June 30, 2015, the unaudited Factor was 1.0013. The Factor is determined by an independent pricing service which uses quoted market prices as well as multifactor models for securities which have no quoted market prices.

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NOTE 14 - CONCENTRATIONS (Continued)

Uninsured Cash Balances (Continued):

Additional information may be found in Note 2 to the State of Florida Comprehensive Annual Financial Report (“CAFR”) and at the Treasury’s website, www.fltreasury.org. Due to the dollar for dollar liquidity of the account, the cash amounts in the Foundation’s financial statements that are held in SPIA have not been adjusted for the unaudited fair value factor.

Additional financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash deposits at brokerage firms and the University. These accounts are not insured by the FDIC. At June 30, 2015, the Foundation maintained cash and cash equivalent balances at these institutions totaling approximately \$3,778,000.

Management monitors the soundness of the financial institutions and does not believe the Foundation is exposed to any significant credit risk on cash and cash equivalents.

Contributions Receivable:

For the year ended June 30, 2015, 58% of the Foundation’s contributions receivable was due from one donor.

NOTE 15 - CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The Foundation has conditional asset retirement obligations (“AROs”) primarily related to the encapsulated structural fireproofing in the older residence halls that is not subject to abatement unless the buildings are demolished and non-encapsulated asbestos that the Foundation would remediate only if it performed major renovations of those buildings. Under current accounting guidance, these AROs meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated. Because there is no definitive timeframe in which these halls will be demolished and they are tied to the current bond funding that will not be alleviated until 2040, these conditional obligations are considered to have indeterminate settlement dates. Therefore, the Foundation could not develop a reasonable estimate of their fair values. However, the Foundation will continue to assess its ability to estimate fair values at each future reporting date. The related liability will be recognized once sufficient additional information becomes available.

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NOTE 16 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, restricted cash, other receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Long-term investments are carried at fair value, as discussed in Note 5. Contributions receivable and assets held under split interest agreements, and the related liabilities, are reported at fair value based on life expectancy of the beneficiary and the present value of expected cash flows using a discount rate.

The fair value of bonds payable are estimated using discounted cash flow analyses based on the Foundation's current incremental borrowing rates for similar types of bond arrangements.

A comparison of the carrying value of the bonds payable, net, as of June 30, is as follows:

	2015	2014
Carrying amount	\$ 51,231,817	\$ 53,206,819
Fair value	\$ 52,406,318	\$ 51,890,279

The Foundation determined the estimated fair value amounts by using available market information and commonly accepted valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Foundation or holders of the instruments could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

NOTE 17 - FAIR VALUE MEASUREMENTS

The Foundation utilizes various methods to measure fair value of its assets and liabilities on a recurring basis. U.S. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of hierarchy are:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3: Unobservable inputs that are supported by little or no market activity.

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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of any input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Changes in valuation techniques may result in transfers in or out of an investment's assigned level as described above.

The inputs used to measure the fair value of contributions receivable are categorized as Level 3. All information related to the fair value disclosure of these assets is described in Note 3.

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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation's assets and liabilities at June 30, 2015 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Equity securities-Domestic & International:				
Consumer	\$ 1,898,917	\$ 1,898,917	\$ -	\$ -
Energy	3,893,056	3,893,056	-	-
Financials	1,804,516	1,804,516	-	-
Health care	502,642	502,642	-	-
Industrials	620,953	620,953	-	-
Technology	1,686,171	1,686,171	-	-
International	12,489,394	12,489,394	-	-
Other	20,982,894	20,982,894	-	-
Total equity securities	<u>43,878,543</u>	<u>43,878,543</u>	<u>-</u>	<u>-</u>
Debt securities:				
Corporate bonds and mutual funds	3,888,951	3,888,951	-	-
High yield fixed income	956,454	-	956,454	-
U.S. government agencies	1,482,253	1,482,253	-	-
U.S. government mortgage pool	3,162,872	3,162,872	-	-
Corporate mortgage pool	842,061	842,061	-	-
Total debt securities	<u>10,332,591</u>	<u>9,376,137</u>	<u>956,454</u>	<u>-</u>
Alternative investments:				
Fund of fund hedge funds -				
Directional, hedged equity	4,910,153	-	-	4,910,153
Non-Directional absolute return	3,047,955	-	-	3,047,955
Equity market neutral	7,857,245	-	-	7,857,245
Total fund of fund hedge funds	<u>15,815,353</u>	<u>-</u>	<u>-</u>	<u>15,815,353</u>
Private equity investments	2,032,648	-	-	2,032,648
Real estate investment trust	1,498,690	-	-	1,498,690
Total alternative investments	<u>19,346,691</u>	<u>-</u>	<u>-</u>	<u>19,346,691</u>
Funds held in trust by others	<u>295,598</u>	<u>-</u>	<u>-</u>	<u>295,598</u>
Total assets	<u>73,853,423</u>	<u>53,254,680</u>	<u>956,454</u>	<u>19,642,289</u>
Liabilities:				
Funds held in trust	198,375	-	-	198,375
Due to WFHT	1,238,099	-	1,238,099	-
Total liabilities	<u>1,436,474</u>	<u>-</u>	<u>1,238,099</u>	<u>198,375</u>
Total	<u>\$ 72,416,949</u>	<u>\$ 53,254,680</u>	<u>\$ (281,645)</u>	<u>\$ 19,443,914</u>

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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation's assets and liabilities at June 30, 2014 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Equity securities-Domestic & International:				
Consumer	\$ 2,780,173	\$ 2,780,173	\$ -	\$ -
Energy	4,599,140	4,599,140	-	-
Financials	2,265,265	2,265,265	-	-
Health care	901,793	901,793	-	-
Industrials	1,356,785	1,356,785	-	-
Technology	2,107,134	2,107,134	-	-
International	12,381,747	12,381,747	-	-
Other	16,699,198	16,699,198	-	-
Total equity securities	<u>43,091,235</u>	<u>43,091,235</u>	<u>-</u>	<u>-</u>
Debt securities:				
Corporate bonds and mutual funds	4,944,544	4,944,544	-	-
High yield fixed income	1,038,290	-	1,038,290	-
U.S. government agencies	1,185,743	1,185,743	-	-
U.S. government mortgage pool	2,592,126	2,592,126	-	-
Corporate mortgage pool	594,044	594,044	-	-
Total debt securities	<u>10,354,747</u>	<u>9,316,457</u>	<u>1,038,290</u>	<u>-</u>
Alternative investments:				
Fund of fund hedge funds -				
Directional, hedged equity	4,760,738	-	-	4,760,738
Non-Directional absolute return	3,043,752	-	-	3,043,752
Equity market neutral	7,437,485	-	-	7,437,485
Total fund of fund hedge funds	<u>15,241,975</u>	<u>-</u>	<u>-</u>	<u>15,241,975</u>
Private equity investments	1,753,691	-	-	1,753,691
Real estate investment trust	1,176,321	-	-	1,176,321
Total alternative investments	<u>18,171,987</u>	<u>-</u>	<u>-</u>	<u>18,171,987</u>
Funds held in trust by others	<u>311,850</u>	<u>-</u>	<u>-</u>	<u>311,850</u>
Total assets	<u>71,929,819</u>	<u>52,407,692</u>	<u>1,038,290</u>	<u>18,483,837</u>
Liabilities:				
Funds held in trust	198,715	-	-	198,715
Due to WFHT	1,235,904	-	1,235,904	-
Total liabilities	<u>1,434,619</u>	<u>-</u>	<u>1,235,904</u>	<u>198,715</u>
Total	<u>\$ 70,495,200</u>	<u>\$ 52,407,692</u>	<u>\$ (197,614)</u>	<u>\$ 18,285,122</u>

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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The following methods and assumptions were used to estimate the fair value for each class of asset and liability, measured at fair value:

Equity securities - Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Debt securities - Investments in fixed income securities are classified as Level 1 as they trade with sufficient frequency and volume to enable the Foundation to obtain pricing information on an ongoing basis. However, a small segment of debt security holdings are in a High Yield Commingled Fund where there are inputs, other than quoted prices included in Level 1, that are observable, either directly or indirectly, and therefore included in Level 2.

Alternative investments - Investments in fund of fund hedge funds and private equity partnerships for which there is no readily determinable fair value are classified as Level 3 as the valuation is based on significant unobservable inputs.

Directional (hedged equity) investment strategies utilize market movements, trends, or inconsistencies when picking stocks across a variety of markets. These types of strategies have a greater exposure to the fluctuations of the overall market than do market neutral strategies. Directional hedge fund strategies include U.S. and international long/short equity hedge funds, where long equity positions are hedged with short sales of equities or equity index options.

Non-Directional or absolute return strategies aim to produce a positive absolute return regardless of the directions of financial markets. They typically achieve this by investing the portfolio's assets in cash or other low volatility investments and then taking hedged long and short positions in portfolios of securities that when combined are expected to have modest exposures to market returns.

Equity market neutral is a hedge fund strategy that seeks to exploit investment opportunities unique to some specific group of stocks while maintaining a neutral exposure to broad groups of stocks defined, for example, by sector, industry, market capitalization, country, or region. The strategy holds long/short equity positions, with long positions hedged with short positions in the same and related sectors, so that the equity market neutral investor should be little affected by sector-wide events.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

Private equity and real estate investment trust funds for which there are not readily determinable fair values are classified as Level 3 as the valuation is based on significant unobservable inputs. Private equity real estate are partnerships formed for the purpose of acquiring, holding, managing and selling income producing real estate and real estate related assets including interest in joint venture development projects for current income, investment and capital appreciation over a three to five year holding period.

Funds held in trust by others - The Foundation's beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

Due to WFHT - The amount payable to WFHT is classified as Level 2 as the value correlates directly to the fair value of WFHT's interest in the Foundation's investment pool.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2015:

	Fund of Fund Hedge Funds	Private Equity	Real Estate	Funds Held in Trust by Others	Total
Assets:					
Beginning balance	\$ 15,241,975	\$ 1,753,691	\$ 1,176,321	\$ 311,850	\$ 18,483,837
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Total gains or losses:					
Included in change in net assets	573,378	215,777	101,426	4,197	894,778
Purchases, issuances, sales, and settlements:					
Purchases	-	244,519	842,378	20,000	1,106,897
Sales	-	-	-	-	-
Settlements	-	(181,339)	(621,435)	(40,449)	(843,223)
Total assets	15,815,353	2,032,648	1,498,690	295,598	19,642,289
Liabilities:					
Beginning balance	-	-	-	198,715	198,715
Transfers into Level 3	-	-	-	32,730	32,730
Transfers out of Level 3	-	-	-	(4,597)	(4,597)
Total gains or losses:					
Included in change in net assets	-	-	-	18,710	18,710
Purchases, issuances, sales, and settlements:					
Purchases	-	-	-	7,780	7,780
Settlements	-	-	-	(54,963)	(54,963)
Total liabilities	-	-	-	198,375	198,375
Total	\$ 15,815,353	\$ 2,032,648	\$ 1,498,690	\$ 97,223	\$ 19,443,914

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2014:

	Fund of Fund Hedge Funds	Private Equity	Real Estate	Funds Held in Trust by Others	Total
Assets:					
Beginning balance	\$ 13,744,979	\$ 1,404,859	\$ 987,476	\$ 310,263	\$ 16,447,577
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Total gains or losses:					
Included in change in net assets	1,496,996	259,920	160,185	30,261	1,947,362
Purchases, issuances, sales, and settlements:					
Purchases	-	205,250	1,339,827	10,000	1,555,077
Sales	-	-	-	-	-
Settlements	-	(116,338)	(1,311,167)	(38,674)	(1,466,179)
Total assets	<u>15,241,975</u>	<u>1,753,691</u>	<u>1,176,321</u>	<u>311,850</u>	<u>18,483,837</u>
Liabilities:					
Beginning balance	-	-	-	202,782	202,782
Transfers into Level 3	-	-	-	31,500	31,500
Transfers out of Level 3	-	-	-	(31,277)	(31,277)
Total gains or losses:					
Included in change in net assets	-	-	-	42,236	42,236
Purchases, issuances, sales, and settlements:					
Purchases	-	-	-	4,122	4,122
Settlements	-	-	-	(50,648)	(50,648)
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,715</u>	<u>198,715</u>
Total	<u>\$ 15,241,975</u>	<u>\$ 1,753,691</u>	<u>\$ 1,176,321</u>	<u>\$ 113,135</u>	<u>\$ 18,285,122</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth a summary of valuation techniques and quantitative information utilized in determining the fair value of the level three investments as of June 30, 2015, excluding investments valued using the practical expedient or the net asset value (“NAV”).

<u>Investment Type</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Real Estate Investment Trust - Harbert IV:				
Real Estate Partnership Interest	\$ 47,974	Independent Appraisal	Capitalization Rate	7.04%
Real Estate Partnership Interest	\$ 115,055	Direct Capitalization	Capitalization Rate	7.99%
Real Estate Partnership Interest	\$ 127,530	Market Transactions (a)	N/A	N/A
Real Estate Investment Trust - Harbert V:				
Real Estate Partnership Interest	\$ 157,723	Independent Appraisal	Capitalization Rate	N/A
Real Estate Partnership Interest	\$ 261,878	Direct Capitalization	Capitalization Rate	7.04%
Real Estate Partnership Interest	\$ 788,530	Market Transactions (a)	N/A	N/A
Private Equity Investments:				
Preferred Partnership Interest	\$ 450,348	Market Approach	LTM EBITDA Multiple (8.9X)	N/A
Member or Partnership Interest	\$ 405,350	Market Approach; Recent Transaction Price (b)	LTM EBITDA Multiple (9.7X); Discount for lack of marketability	N/A

(a) Market Transactions include related capital expenditures of a particular investment.

(b) Investment is valued based on pending transactions with an expended close date after valuation date.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The following table lists investments in hedge funds and investment limited partnerships by strategy as of June 30, 2015:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Fund of Fund Hedge Funds:				
Directional, hedged equity	\$ 4,910,153	\$ -	Quarterly	90 Days
Non-Directional absolute return	3,047,955	-	Quarterly	90 Days
Equity market neutral	7,857,245	-	Quarterly to Semi-annual	95 Days
Private equity investments	2,032,648	1,024,115	N/A*	N/A*
Real estate investment trust	1,498,690	861,786	N/A*	N/A*
Funds held in trust by others	<u>295,598</u>	<u>-</u>	N/A**	N/A**
	<u>\$ 19,642,289</u>	<u>\$ 1,885,901</u>		

* These funds are in private equity structures, with no ability to be redeemed.

** These funds are in trust that have no identifiable redemption period.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF STUDENT HOUSING SYSTEM REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Revenues:		
Rent	\$ 11,556,232	\$ 11,266,342
Interest	139,254	97,583
Other	224,036	229,709
Total revenues	11,919,522	11,593,634
 Operating Expenses:		
Salaries and wages	2,142,503	2,128,780
Administrative and general	972,505	878,146
Maintenance and repairs	1,260,648	1,257,519
Insurance	212,116	204,076
Utilities	1,233,256	1,294,970
Interest	2,671,048	2,669,772
Depreciation	2,660,812	2,646,569
Amortization	83,438	84,569
Total operating expenses	11,236,326	11,164,401
 Excess of Revenues over Expenses	 \$ 683,196	 \$ 429,233

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF FINANCIAL POSITION
(EXCLUDING THE STUDENT HOUSING SYSTEM)
JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Cash and cash equivalents	\$ 1,285,588	\$ 4,002,574
Restricted cash equivalents	2,306,818	987,591
Contributions receivable, net	2,170,155	3,250,980
Other receivables, net	77,446	79,968
Due from University	-	67,397
Prepaid expenses	56,765	64,083
Long-term investments	73,557,825	71,617,969
Property and equipment, net	1,490,909	1,527,336
Assets held under split interest agreements	295,598	311,850
Other assets	255,066	190,126
	\$ 81,496,170	\$ 82,099,874

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 215,399	\$ 284,673
Liabilities held under split interest agreements	198,375	198,715
Due to University	32,659	-
Due to West Florida Historic Trust	1,238,099	1,235,904
Total liabilities	1,684,532	1,719,292

Commitments and Contingencies

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Net Assets:

Unrestricted	3,840,074	3,516,832
Temporarily restricted	26,024,342	27,188,685
Permanently restricted	49,947,222	49,675,065
Total net assets	79,811,638	80,380,582

Total Liabilities and Net Assets

\$ 81,496,170	\$ 82,099,874
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UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Scholarships	Other Program Services	Student Housing System	Fundraising	General & Administrative	2015 Total	2014 Total
Amortization	\$ -	\$ -	\$ 83,438	\$ -	\$ -	\$ 83,438	\$ 84,569
Bad debt (recovery)	-	643	(4,277)	-	-	(3,634)	66,845
Bond expense	-	-	79,939	-	-	79,939	78,895
Depreciation	-	36,427	2,660,812	-	-	2,697,239	2,683,639
Equipment	-	112,628	13,796	-	239	126,663	369,804
Housing administrative and general	-	-	121,187	-	-	121,187	233,370
Insurance	-	65,849	212,116	-	25,501	303,466	293,927
Interest	-	-	2,671,048	-	-	2,671,048	2,669,772
Investment and consultant fees	-	3,247	-	-	214,368	217,615	316,277
Lobbying	-	10,000	-	-	60,000	70,000	70,150
Maintenance and repairs	-	-	1,260,648	-	1,740	1,262,388	1,257,519
Miscellaneous	-	82,663	-	7,139	11,334	101,136	120,046
Office	-	100,994	87,975	73,048	90,382	352,399	448,252
Professional development	-	72,344	20,448	3,522	4,304	100,618	78,039
Professional services	-	602,075	25,513	6,690	59,490	693,768	1,133,616
Public radio program	-	341,660	-	-	-	341,660	282,579
Public relations	-	143,479	-	27,090	29,391	199,960	157,527
Recruitment	-	32,095	3,737	68	1,334	37,234	39,988
Rental	-	32,044	-	1,003	1,395	34,442	32,250
Salaries and wages	-	1,015,856	2,142,503	228,099	1,359,390	4,745,848	3,728,523
Scholarships	1,124,533	-	-	-	-	1,124,533	1,153,933
Service charges and other fees	-	26,827	510,589	2,864	(129,821)	410,459	165,348
Student and staff support	-	1,418	-	-	197	1,615	5,763
Travel and entertainment	-	266,805	113,598	36,930	43,618	460,951	434,585
University support	-	218,394	-	-	(1,800)	216,594	480,792
Utilities	-	-	1,233,256	-	-	1,233,256	1,294,970
	<u>\$ 1,124,533</u>	<u>\$ 3,165,448</u>	<u>\$ 11,236,326</u>	<u>\$ 386,453</u>	<u>\$ 1,771,062</u>	<u>\$ 17,683,822</u>	<u>\$ 17,680,978</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
CHAIRS UNDER EMINENT SCHOLARS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Name of Gift	Beginning Corpus Balance	Beginning Net Balance	Corpus Contributed During the Year	Net Investment Earnings	Expenditures	Other Expenditures and Transfers	Fund Balance Net of Earnings, Expense & Transfers	Ending Corpus Balance	Ending Total Balance
William Craig Nystul Chair	\$ 1,210,852	\$ 1,605,599	\$ -	\$ 35,729	\$ 6,071	\$ 85,571	\$ 1,549,686	\$ 1,210,852	\$ 1,549,686
John C. Pace, Sr., Business Chair	1,000,000	1,321,265	-	29,401	4,996	70,417	1,275,253	1,000,000	1,275,253
John C. Pace, Sr., Memorial Eminent Scholar	2,644,500	3,572,405	-	79,495	13,508	190,392	3,448,000	2,644,500	3,448,000
John C. Pace, Jr., Distinguished University Professorship	3,966,750	5,358,608	-	119,243	20,263	285,588	5,172,000	3,966,750	5,172,000
Mary Ball Washington Chair	1,320,155	1,643,334	-	36,568	6,214	87,582	1,586,106	1,320,155	1,586,106
Total - Eminent Scholars Program	<u>\$ 10,142,257</u>	<u>\$ 13,501,211</u>	<u>\$ -</u>	<u>\$ 300,436</u>	<u>\$ 51,052</u>	<u>\$ 719,550</u>	<u>\$ 13,031,045</u>	<u>\$ 10,142,257</u>	<u>\$ 13,031,045</u>

I hereby certify that the above is an accurate representation of the activity for this program.


 Daniel Lucas, Chief Financial Officer

August 28, 2015
 Date


UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Name of Gift	Beginning		Corpus		Investments		Fund Balance		Reclass for Spending	Loan from Unrestricted Transfers	Ending Corpus Balance	Ending Total Balance
	Corpus Balance	Net Balance	Contributed During the Year	Investment Earnings	& Other Expenses	Spending Transfers	Net of Earnings, Expenses & Transfers					
Alexander Memorial Scholarship	\$ 282,852	\$ 322,084	\$ -	\$ 7,167	\$ 1,218	\$ 17,128	\$ 310,905	\$ -	\$ -	\$ 282,852	\$ 310,905	
Alfred duPont Foundation Scholarship	255,000	278,262	20,000	6,672	1,092	14,309	289,533	-	-	275,000	289,533	
Bank of America	150,000	176,341	-	3,924	667	9,377	170,221	-	-	150,000	170,221	
Baptist Hospital Fund	166,692	239,978	-	5,340	907	12,790	231,621	-	-	166,692	231,621	
Barnett Bank Endowment	170,530	235,019	-	5,230	889	12,525	226,835	-	-	170,530	226,835	
Blue Cross & Blue Shield Nursing Scholarship	155,673	169,172	-	3,765	640	8,975	163,322	-	-	155,673	163,322	
C. L. Fountain Family Business Ethics	100,000	113,187	-	2,519	428	6,018	109,260	-	-	100,000	109,260	
Cacilda Prado Pace Library Fund	150,046	161,911	-	3,603	612	8,573	156,329	-	-	150,046	156,329	
Chadbourne Foundation - PJC/UWF	166,434	219,481	-	4,884	830	11,698	211,837	-	-	166,434	211,837	
Chadbourne Foundation Business Ethics	300,000	328,523	-	7,310	1,242	16,166	318,425	-	-	300,000	318,425	
Charles & Fran Switzer Business Ethics	198,774	222,385	-	4,949	841	11,825	214,668	-	-	198,774	214,668	
CHARLOTTE	150,000	194,215	-	4,322	734	10,354	187,449	-	-	150,000	187,449	
Dorothy Martin Endowment	150,005	194,591	-	4,330	736	10,371	187,814	-	-	150,005	187,814	
E. W. Hopkins Jr., Professorship	175,343	244,907	-	5,450	926	13,052	236,379	-	-	175,343	236,379	
Elizabeth R. Woolf	275,412	359,753	-	8,005	1,360	19,152	347,246	-	-	275,412	347,246	
Gulf Power Electrical Engineering	152,700	165,815	-	3,690	627	8,799	160,079	-	-	152,700	160,079	
Harold E. & Pat Marcus History/Archaeology	150,000	185,821	-	4,135	703	9,903	179,350	-	-	150,000	179,350	
Jane & Fred Seligman Endowment	207,251	225,265	-	5,013	852	11,978	217,448	-	-	207,251	217,448	
John C. Pace, Jr., Memorial Endowment	8,592,090	11,460,590	-	255,027	43,336	610,794	11,061,487	-	-	8,592,090	11,061,487	
John C. Pace, Jr., Memorial Scholarship Fund	7,740,820	10,400,416	-	231,435	39,327	554,289	10,038,235	-	-	7,740,820	10,038,235	
John L. Switzer Business Ethics	195,688	218,646	-	4,865	827	11,626	211,058	-	-	195,688	211,058	
Katherine C. Pace Memorial Endowment	1,700,000	1,790,734	-	39,848	6,771	94,818	1,728,993	-	-	1,700,000	1,728,993	
Kerrigan Daughters' Endowment	340,204	369,149	-	8,214	1,396	19,545	356,422	-	-	340,204	356,422	
Kugelman Family Scholarship Endowment	185,563	259,368	-	5,772	981	13,823	250,336	-	-	185,563	250,336	
Levin Fund	251,906	322,861	-	7,184	1,221	17,207	311,617	-	-	251,906	311,617	
Mabie Fund	324,014	407,086	-	9,059	1,539	21,696	392,910	-	-	324,014	392,910	
Mattie M. Kelly Music Education Fund	163,443	227,396	-	5,060	860	12,119	219,477	-	-	163,443	219,477	
Maygarden Lecture Series	162,810	184,917	-	4,115	699	9,834	178,499	-	-	162,810	178,499	
Medical Center Clinic Endowment	164,297	219,046	-	4,874	828	11,674	211,418	-	-	164,297	211,418	

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)

Name of Gift	Beginning	Beginning	Corpus	Investment	Investments	Spending	Fund Balance	Reclass	Loan from	Ending	Ending
	Corpus	Net	Contributed				Net of				
	Balance	Balance	During the	Earnings	& Other	Transfers	Earnings, Expenses	Spending	Unrestricted	Balance	Balance
			Year		Expenses		& Transfers		Transfers		
National Defense Industrial Assoc Sch End	150,000	161,422	-	3,592	610	8,548	155,856	-	-	150,000	155,856
Orville Beckford Scholarship Endowment	150,050	188,754	-	4,200	714	10,060	182,180	-	-	150,050	182,180
Pickens Foundation For Education	161,133	212,961	449	4,747	806	11,340	206,011	-	-	161,582	206,011
Pre Professional Endowment	165,338	245,821	-	5,470	930	13,101	237,260	-	-	165,338	237,260
Raymond C. Dyson Fund I	177,422	240,623	-	5,354	910	12,824	232,243	-	-	177,422	232,243
Raymond C. Dyson Fund II	162,282	216,265	-	4,812	818	11,526	208,733	-	-	162,282	208,733
Rotary Business Ethics	105,000	116,648	-	2,596	441	6,203	112,600	-	-	105,000	112,600
Sacred Heart Allied Health Endowment	163,897	230,816	50	5,138	873	12,302	222,829	-	-	163,947	222,829
Seymour Gitenstein Scholarship Endowment	200,000	191,175	-	4,254	723	14,004	180,702	-	-	200,000	180,702
Switzer Brothers Professorship Endowment	581,859	640,687	-	14,257	2,423	34,069	618,452	-	-	581,859	618,452
T. T. Wentworth, Jr. Historical Center	151,240	151,015	-	3,360	571	7,996	145,808	-	-	151,240	145,808
William D. Smart Seminar Series in Chem. End.	161,579	168,158	-	3,742	636	8,902	162,362	-	-	161,579	162,362
Women's Athletic Trust Fund	166,792	217,788	42	4,848	824	11,597	210,257	-	-	166,834	210,257
Total	\$ 25,674,139	\$ 32,879,052	\$ 20,541	\$ 732,131	\$ 124,368	\$ 1,752,890	\$ 31,754,466	\$ -	\$ -	\$ 25,694,680	\$ 31,754,466

I hereby certify that the above is an accurate representation of the activity for this program.

 CFO
Daniel Lucas, Chief Financial Officer

August 28, 2015
Date

UWF Board of Trustees Meeting
Audit and Operations Committee
November 19, 2015

Issue: External Audit: Financial Statement Audit of Direct Support Organization—Florida Institute of Human and Machine Cognition (IHMC)

Proposed action: Acceptance

Background information:

Organizations affiliated or through the University of West Florida (aka Direct Support Organizations) must be audited annually and presented to the University of West Florida. The Florida Institute for Human and Machine Cognition audit has been completed for fiscal year ending June 30, 2015.

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

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

Results:

To ensure compliance with the agreement, the associate vice president for Internal Auditing and Management Consulting performed a cursory review and determined compliance regarding annual financial audit exists.

IHMC received a clean unqualified opinion. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were noted.

Financial Highlights:

- Construction in progress at June 30, 2015 (\$3,645,445) represents construction for the new research facility. IHMC capitalized approximately \$363,000 and \$265,000, respectively of interest in connection with the construction of the new research facility for the years ended June 30, 2015 and 2014.
- During 2015, IHMC competed in the Defense Advanced Research Projects Agency Robotics Challenge and finished in second place. IHMC received \$1,000,000 in prize money which is reported as an other item in the statement of activities.

Recommendation: Informational

Implementation Plan: None

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

Supporting document:

Financial Statement Audit Report for the Florida Institute of Human and Machine Cognition for fiscal year ending June 30, 2015

Prepared by: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 474-2636

Presenter: Betsy Bowers, Associate Vice President

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Since 1944

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IHMC as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of general and administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015, on our consideration of IHMC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IHMC's internal control over financial reporting and compliance.



Pensacola, Florida
September 10, 2015

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Cash	\$ 4,744,228	\$ 4,262,855
Restricted cash held by trustee	6,175,053	8,668,292
Grants and contracts receivables	1,926,177	1,645,193
Other receivables	1,012,224	484,815
Prepaid expenses	118,262	122,347
Property and equipment, net	9,732,997	7,219,949
Other assets	83,531	90,597
Total Assets	\$ 23,792,472	\$ 22,494,048

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 1,140,495	\$ 457,371
Accrued payroll and related liabilities	309,333	253,699
Accrued interest	240,272	94,200
Refundable advances	8,674	55,713
Long-term debt	11,320,000	12,000,000
Total liabilities	13,018,774	12,860,983
Commitments and Contingencies	--	--
Net Assets:		
Unrestricted	10,451,444	9,610,453
Temporarily restricted	322,254	22,612
Total net assets	10,773,698	9,633,065
Total Liabilities and Net Assets	\$ 23,792,472	\$ 22,494,048

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Change in Unrestricted Net Assets:		
Support, Revenue and Reclassifications:		
Research and development grants and contracts -		
Federal and pass-through grants	\$ 7,577,728	\$ 6,623,497
Other grants and contracts	2,339,199	3,261,764
Legislative appropriation	3,926,739	3,176,739
Contributions	702,803	196,514
Other revenue	14,033	35,069
Net assets released from restrictions	134,578	82,918
 Total support, revenue and reclassifications	 14,695,080	 13,376,501
 Expenses:		
Program services -		
Research and development grants and contracts	11,697,531	11,258,223
Other program services	111,357	113,456
Total program services	11,808,888	11,371,679
 Supporting services -		
Fundraising services -		
Salaries and employee benefits	7,707	7,312
Other fundraising expenses	53	203
	7,760	7,515
General and administrative	3,543,310	2,719,873
Total supporting services	3,551,070	2,727,388
 Total expenses	 15,359,958	 14,099,067
 Deficiency of support, revenue and reclassifications over expenses	 (664,878)	 (722,566)
 Other Items:		
Insurance proceeds	505,869	561,702
Robotics contest prize award	1,000,000	-
Total other items	1,505,869	561,702
 Change in unrestricted net assets	 840,991	 (160,864)

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)

	<u>2015</u>	<u>2014</u>
Change in Temporarily Restricted Net Assets:		
Contributions	434,220	38,812
Net assets released from restrictions	<u>(134,578)</u>	<u>(82,918)</u>
Change in temporarily restricted net assets	<u>299,642</u>	<u>(44,106)</u>
Change in Net Assets	1,140,633	(204,970)
Net Assets, Beginning of Year	<u>9,633,065</u>	<u>9,838,035</u>
Net Assets, End of Year	<u><u>\$ 10,773,698</u></u>	<u><u>\$ 9,633,065</u></u>

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,140,633	\$ (204,970)
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation and amortization	568,028	571,400
Donated investments	(301,691)	-
Gain on sale of property and equipment	-	(9,095)
Loss on sale of donated investments	1,125	-
Loss on uncollectible unrestricted pledges	-	6,773
Bad debt expense	6,068	-
Changes in operating assets and liabilities -		
Grants and contracts receivables	(287,052)	71,630
Other receivables	(527,409)	(450,998)
Prepaid expenses	4,085	(22,428)
Other assets	1,601	(4,000)
Accounts payable	683,124	310,397
Accrued payroll and related liabilities	55,634	(42,922)
Accrued interest	146,072	94,200
Refundable advances	(47,039)	47,632
Net cash provided by operating activities	1,443,179	367,619
Cash Flows From Investing Activities:		
Proceeds from sale of property and equipment	-	9,095
Proceeds from sale of donated investments	300,566	-
Purchases of property and equipment	(3,075,611)	(1,024,729)
Net cash used in investing activities	(2,775,045)	(1,015,634)
Cash Flows From Financing Activities:		
Proceeds from note issuance	2,490,568	3,969,908
Principal payments of note payable	-	(3,757,070)
Principal payments of long-term debt	(680,000)	-
Decrease (increase) in restricted cash for debt service	2,671	(638,200)
Debt issuance costs	-	(81,971)
Net cash provided by (used in) financing activities	1,813,239	(507,333)
Net Increase (Decrease) in Cash	481,373	(1,155,348)
Cash at Beginning of Year	4,262,855	5,418,203
Cash at End of Year	\$ 4,744,228	\$ 4,262,855
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 633,338	\$ 247,641
Supplemental Disclosure of Non-Cash Financing Activities:		
Undisbursed debt proceeds held by trustee at closing	\$ -	\$ 8,030,092

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

NOTES TO FINANCIAL STATEMENTS

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

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

Basis of Accounting:

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

Basis of Presentation:

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

Permanently restricted net assets are subject to donor-imposed stipulations that the assets be maintained permanently, but permit IHMC to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. IHMC had no permanently restricted net assets at June 30, 2015 and 2014.

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

Unrestricted net assets are not subject to donor-imposed stipulations, or the donor-imposed restrictions have expired. Unrestricted net assets may be designated for specific purposes by the action of the Board of Directors, or may otherwise be limited by contractual agreements with outside parties.

Use of Estimates:

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Legislative Appropriation:

Support from legislative appropriation represents amounts received from the Florida state budget, general revenue fund. During the years ended June 30, 2015 and 2014, IHMC received an additional \$437,555 from the general fund through the University of Central Florida, an affiliated organization.

Contributions:

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

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

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

In-Kind Contributions:

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

Grants and Contracts:

Revenue from grants and contracts, awarded to and accepted by IHMC, is recognized as earned, that is, as the related allowable costs are incurred or the performance of milestones is achieved under the grant or contract agreements. Management considers all grants and contracts receivables at June 30, 2015 and 2014 to be fully collectible; therefore, no allowance for uncollectible accounts has been established.

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash:

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

Debt Issuance Costs:

Debt issuance costs are amortized over the term of the debt using the straight-line method since the difference between this method and the effective interest method is not material to the financial statements.

Property and Equipment:

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

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

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

Refundable Advances:

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs:

Advertising costs are expensed when incurred.

Income Taxes:

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

Subsequent Events:

Management has evaluated subsequent events through September 10, 2015, the date which the financial statements were available for issue.

NOTE 2 - RESTRICTED CASH HELD BY TRUSTEE

Restricted cash is comprised of the following:

	<u>2015</u>	<u>2014</u>
Undisbursed debt proceeds - construction	\$ 5,539,524	\$ 8,030,092
Debt service -		
Note principal	546,667	544,000
Note interest	<u>88,862</u>	<u>94,200</u>
	<u>\$ 6,175,053</u>	<u>\$ 8,668,292</u>

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 - OTHER RECEIVABLES

At June 30, 2015 and 2014, other receivables were as follows:

	<u>2015</u>	<u>2014</u>
Robotics contest prize award receivable	\$ 1,000,000	\$ -
Insurance receivable	-	473,002
Other receivables	12,224	11,813
	<u>\$ 1,012,224</u>	<u>\$ 484,815</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,142,640	\$ 1,142,640
Buildings	5,717,750	5,717,750
Computers and software	1,050,807	982,905
Machinery and equipment	1,017,024	931,584
Robotics	810,638	709,324
Furniture and fixtures	264,293	260,903
Vehicle	68,625	-
Art collection	5,950	5,950
Construction in progress	3,645,445	896,506
	<u>13,723,172</u>	<u>10,647,562</u>
Less accumulated depreciation and amortization	3,990,175	3,427,613
	<u>\$ 9,732,997</u>	<u>\$ 7,219,949</u>

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was \$562,563 and \$547,514, respectively.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 - PROPERTY AND EQUIPMENT (Continued)

Construction in progress at June 30, 2015 represents construction costs for the new research facility. Construction in progress at June 30, 2014 represents certain capitalized costs of \$57,148 for robotics construction, renovation costs for existing buildings of \$197,278, and construction costs of \$642,080 for the new research facility.

IHMC capitalizes interest costs on borrowings incurred during the construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. IHMC capitalized approximately \$363,000 and \$265,000, respectively, of interest in connection with the construction of the new research facility for the years ended June 30, 2015 and 2014.

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

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

NOTE 5 - OTHER ASSETS

Other assets are comprised of the following:

	2015	2014
Debt issuance costs	\$ 81,971	\$ 81,971
Deposits	10,440	12,041
	92,411	94,012
Less accumulated amortization	8,880	3,415
	\$ 83,531	\$ 90,597

Amortization of debt issuance costs for the years ended June 30, 2015 and 2014 was \$5,465 and \$23,886, respectively.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	2015	2014
<p>\$12,000,000 Industrial Development Revenue Note, Series 2013, due in monthly installments of \$84,274 to \$101,179, from December 1, 2013 through September 1, 2028 with an interest rate of 3.14%, secured by mortgage and security agreement</p>	<p><u>\$ 11,320,000</u></p>	<p><u>\$ 12,000,000</u></p>

Maturities of the revenue note are as follows:

<u>Year ending June 30,</u>	
2016	\$ 656,000
2017	677,000
2018	698,000
2019	720,000
2020	743,000
Thereafter	<u>7,826,000</u>
	<u>\$ 11,320,000</u>

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 6 - LONG-TERM DEBT (Continued)

In November 2013, Escambia County, Florida (“the County”), issued \$12,000,000 industrial development revenue note to provide financial assistance to IHMC for the refunding of the Commission’s 2008 \$4,292,500 industrial revenue bonds, and for the financing of the construction of a new research facility. The note is payable solely from the payments received from the underlying financing agreement with a term of 15 years, bearing interest at a rate of 3.14%, and secured by a mortgage on IHMC’s land and building. Pursuant to the financing and construction agreements, IHMC agreed to make monthly installments to the County sufficient to pay all principal and interest amounts. IHMC executed and delivered a promissory note to the County, who is assigned all rights to receive payments from IHMC related to these agreements. The County has no obligation in any manner for repayment of the note. During 2015 the County disbursed \$2,490,568 to IHMC to pay for construction costs of the new research facility. During 2014 the County disbursed \$3,969,908 to IHMC to refund the Commission’s bonds payable, pay for new debt issuance costs, and pay for architect costs related to the construction of the new research facility. The remaining \$5,539,524 will be disbursed by the County as IHMC incurs construction costs for the new research building.

NOTE 7 - NET ASSETS

Temporarily restricted net assets include contributions restricted by donors for specific purposes that have not yet been accomplished and unconditional promises to give with payments due in future periods to be used for the activities of IHMC. Temporarily restricted net assets at June 30, 2015 and 2014 are presented as follows:

	2015	2014
Educational Outreach Youth Programs	\$ -	\$ 5,001
Research projects	300,000	15,272
Other	22,254	2,339
	\$ 322,254	\$ 22,612

NOTE 8 - RETIREMENT PLANS

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 8 - RETIREMENT PLANS (Continued)

The plan covers substantially all employees except part-time and leased. IHMC contributes 11% of eligible employee's compensation on a bi-weekly basis. Contributions to the plan amounted to \$858,586 in 2015 and \$777,593 in 2014.

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

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

NOTE 9 - RELATED PARTY TRANSACTIONS

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk - Uninsured Cash Balances:

IHMC maintains cash balances with two banks. In addition to the FDIC coverage provided by the two banks, the demand deposit accounts held at one bank are also protected under the Chapter 280, Florida Statutes, Public Deposits Trust Fund. At June 30, 2015, IHMC had cash balances in excess of insured limits of approximately \$1,767,000.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

Line of Credit:

IHMC has a revolving, unsecured, \$2,000,000 line of credit with a financial institution. The line of credit carries interest of 2.5% over the one month LIBOR rate and expires on March 1, 2016. IHMC had no amounts outstanding as of June 30, 2015 and 2014 under the line of credit.

Lease Commitments:

IHMC is leasing three office spaces. The leased property located at 127 South Alcaniz Street, Pensacola, Florida, is dedicated to IHMC's administrative function. This lease expires in October 2015. The leased property located at 100 South Alcaniz is dedicated to the robot prototype research. This lease expires in November 2017. The leased property located at 201 East Wright Street is used as a robot lab. This lease expires in December 2015.

Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	
2016	\$ 93,963
2017	49,906
2018	<u>20,978</u>
	<u>\$ 164,847</u>

Rental expense for operating leases for the years ended June 30, 2015 and 2014 was \$197,218 and \$243,095, respectively.

Contingencies:

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies (Continued):

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

Contractual Commitments:

IHMC has contractual commitments of approximately \$3,956,000 for the construction of the new research facility at June 30, 2015.

NOTE 11 - INSURANCE PROCEEDS

In April 2014, IHMC sustained significant flood damage to its facilities due from unprecedented amounts of rainfall. During the years ended June 30, 2015 and 2014, IHMC received insurance proceeds of \$505,869 and \$561,702, respectively, reported as an other item in the statement of activities and incurred flood recovery expenses of \$651,855 and \$393,686, respectively, reported in general and administrative expenses.

NOTE 12 - ROBOTICS CONTEST PRIZE AWARD

During 2015, IHMC competed in the Defense Advanced Research Projects Agency Robotics Challenge and finished in second place. IHMC received \$1,000,000 in prize money which is reported as an other item in the statement of activities.

SUPPLEMENTARY INFORMATION

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Salaries	\$ 2,775,675	\$ 2,474,633
Payroll taxes	168,964	152,996
Employee benefit programs	436,523	383,365
Administrative travel	152,873	128,046
Meals and entertainment	47,978	33,360
Insurance	184,914	141,535
Legal and professional	398,283	433,291
Occupancy, including in-kind	597,322	615,755
Interest expense	-	76,406
Repairs and maintenance	10,976	13,794
Office expenses	276,661	168,254
Telephone	64,631	58,141
Lobbying costs	139,610	127,463
Licenses and fees	26,022	10,404
Memberships and continuing education	33,473	36,395
Employee morale and welfare	18,300	22,805
Other	48,440	82,880
Flood recovery expenses	651,855	393,686
Depreciation and amortization	568,028	571,400
Indirect applied overhead, payroll taxes and employee benefits	<u>(3,057,218)</u>	<u>(3,204,736)</u>
Total General and Administrative Expenses	<u><u>\$ 3,543,310</u></u>	<u><u>\$ 2,719,873</u></u>

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Federal Expenditures
<u>Research and Development Cluster:</u>			
<u>Office of Naval Research</u>			
VIEWGEN-2: An Integrated Model of Memory, Belief and Mental State Ascription	12.300	N00014-13-1-0225	\$ 317,714
Grounding and Learning in Human-Robot Communication	12.300	N00014-12-1-0547	136,392
Agile Computing Middleware to Support Network-centric Warfare	12.300	N00014-14-1-0203	9,138
Accomplishments of Naturalistic Decision Making Research and Applications to Emerging Defense Challenges	12.300	N00014-14-1-0086	5,863
Accomplishments of Naturalistic Decision Making Research and Applications to Emerging Defense Challenges	12.300	N00014-15-1-2336	<u>9,073</u>
Total Office of Naval Research			<u>478,180</u>
<u>Army Medical Research Acquisition Activity</u>			
Anthro-Centric Multisensory interfaces for Vision Augmentation / Substitution	12.420	W81XWH-10-1-0084	8,081
Passed through Engineering Acoustics, Inc.			
Multi Sensor Integration for Balance Control Phase II	12.420	W81XWH-13-C-0129	<u>22,832</u>
Total Army Medical Research Acquisition Activity			<u>30,913</u>
<u>Department of the Army</u>			
<u>Passed through Cornell University</u>			
Energy and Power Determination for Simulated Humanoid Using Cornell Actuators	12.910	W31P4Q-13-1-0012	<u>104,898</u>
<u>Army Research Laboratory</u>			
Extending Agile Computing to Support Battlefield Information Management, Command & Control Data to Decision and Network Science	12.431	W911NF-11-2-0095	499,251
Deep Reading to Understand Mechanisms	12.431	W911NF-14-1-0391	<u>1,110,492</u>
			<u>1,609,743</u>
Atlas GFE Software	12.910	W911NF-11-1-0001	<u>499,264</u>
Total Army Research Laboratory			<u>2,109,007</u>

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015
(Continued)

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Federal Expenditures
<u>Department of the Air Force,</u>			
<u>Air Force Research Laboratory</u>			
CUBISM: Conversation Understanding through Belief Interpretation Sociolinguistic Modeling	12.300	FA8750-12-2-0348	1,154,615
Using Human-Machine Teamwork to Perform Disaster Response with a Humanoid Robot	12.300	FA8750-12-1-0316	1,006,951
			<u>2,161,566</u>
Accomplishments of Naturalistic Decision Making Research and Applications to Emerging Defense Challenges	12.800	FA9550-15-1-0169	17,240
The Role of Benevolence in Trust of Autonomous Systems	12.800	FA9550-12-1-0097	282,140
Passed through Florida Institute of Technology, Inc.			
A Systems Behavior Approach to Integrated Moving Target C2 with Resilience Response	12.800	FA8750-13-2-0064	269,377
Passed through Raytheon BBN Technologies Corp.			
Force Protection	12.800	FA8750-12-C-0026	136,758
Passed through Wright State University			
Interactions with Semi-Autonomous Remotely Piloted Vehicles	12.800	FA8650-11-C-6232	12,184
			<u>717,699</u>
Total Department of the Air Force			<u>2,879,265</u>
<u>National Aeronautics and Space Administration,</u>			
<u>NASA Shared Services Center</u>			
Robotic Exoskeleton Development	43.001	NNX12AB59A	70,765
NASA Advanced Concepts for Human Space Exploration	43.003	NNX11AR31A	422,722
NRI LG: Toward Humanoid Avatar Robots for Co-Exploration of Hazardous Environments	43.009	NNX12AP97G	1,083,918
Total National Aeronautics and Space Administration			<u>1,577,405</u>
<u>National Science Foundation</u>			
NRI: Collaborative: Optimal Interaction Design Framework for Powered Lower-Extremity Exoskeletons	47.070	IIS-1427213	234,166

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015
(Continued)

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Federal Expenditures
<u>National Oceanic and Atmospheric Administration (NOAA)</u>			
<u>Cooperative Institutes</u>			
Passed through Florida Atlantic University			
The Cooperative Institute for Ocean Exploration, Research and Technology (CIOERT) Years 6-10	11.432	NA14OAR4320260	<u>19,780</u>
Total Research & Development Cluster			7,433,614
<u>Department of Homeland Security</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-FL-4177-PW-00472, PA-04-FL-4177-PW-00451, PA-04-FL-4177-PW-00770, PA-04-FL-4177-PW-00336	<u>144,114</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,577,728</u></u>

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

OTHER REPORTS AND SCHEDULES

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Pensacola, Florida
September 10, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited Florida Institute for Human and Machine Cognition, Inc.'s (“IHMC”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of IHMC’s major federal programs for the year ended June 30, 2015. IHMC’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of IHMC’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IHMC’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, IHMC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of IHMC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IHMC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IHMC's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida
September 10, 2015

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Florida Institute for Human and Machine Cognition, Inc.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Florida Institute for Human and Machine Cognition, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for major federal award programs for Florida Institute for Human and Machine Cognition, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major federal programs for Florida Institute for Human and Machine Cognition, Inc. which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included the following:

Research and Development Cluster:

National Oceanic and Atmospheric Administration (NOAA)	
Cooperative Institutes	CFDA No. 11.432
Basic and Applied Scientific Research	CFDA No. 12.300
Military Medical Research and Development	CFDA No. 12.420
Basic Scientific Research	CFDA No. 12.431
Air Force Defense Research Sciences Program	CFDA No. 12.800
Research and Technology Development	CFDA No. 12.910
Science	CFDA No. 43.001
Exploration	CFDA No. 43.003
Cross Agency Support	CFDA No. 43.009
Computer and Information Science and Engineering	CFDA No. 47.070

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015
(Continued)

A. SUMMARY OF AUDITOR'S RESULTS (Continued)

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

B. FINDINGS - FINANCIAL STATEMENT AUDIT

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

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

There were no findings and questioned costs relating to the major federal award programs which are required to be reported in accordance with OMB Circular A-133.

UWF Board of Trustees Meeting
Audit & Operations Committee
November 19, 2015

Issue: Annual Certification of WFHPI and the External Audit: Financial Statement Audit of Direct Support Organization

Proposed action: Information Only

Background information:

Certain organizations affiliated or through the University of West Florida (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, 2015.

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 associate vice president for Internal Auditing and Management Consulting performed a cursory review of the documents and determined WFHPI met the requirements.

WFHPI received a clean unqualified opinion. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were reported.

Financial Highlights:

In WFHPI's Management Discussion and Analysis for the year ended 6/30/15, several significant financial highlights were noted:

- In May 2015 completed restoration of the 1805 Charles Lavalley House; this was completed with help from a \$50,000 grant from the Florida Division of Historical Resources.
- Completion of the Arcadia Mill boardwalk extension and bridge project.

Proposed Action: Report – No motion required

Implementation Plan: None

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

Supporting documents:

Financial Statement Audit Report for the West Florida Historic Preservation, Inc., for fiscal year ending June 30, 2015

Audit Communication Letter WFHPI June 30, 2015

Prepared by: Betsy Bowers, Associate Vice President, 850-474-2636, bbowers@uwf.edu

Presenter: Betsy Bowers, Associate Vice President, 850-474-2636, bbowers@uwf.edu

To the Board of Directors
West Florida Historic Preservation, Inc.
d/b/a University of West Florida Historic Trust
120 Church Street
Pensacola, FL 32501

We have audited the 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”) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Governmental Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Trust are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2015. We noted no transactions entered into by the Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management’s estimate of depreciation expense which is based on estimated useful lives of underlying capital assets. We evaluated the key factors and assumptions used to develop the estimate for depreciation expense in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Since 1944

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 14, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the Board of Directors and management of the Trust and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Pensacola, Florida
August 20, 2015

**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, 2015 AND 2014

**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, 2015 AND 2014

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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, 2015 and 2014, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the governmental activities and the entity-wide activities of the Trust as of June 30, 2015 and 2014, 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 14, 2015, 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 14, 2015

**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, 2015 AND 2014**

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, 2015.

Operational Highlights

- Completion of an update to our membership program including changes to both prices and benefits and the reprinting of collateral material.
- In May 2015 completed a restoration of the 1805 Charles Laval House. This was completed with help from a \$50,000 grant from the Florida Division of Historical Resources.
- Partnership with the UWF Foundation and Gulf Power on development of the Voices of Pensacola Multicultural Center was successful and in October 2014 we opened the new Voices of Pensacola Multicultural Center.
- Successful marketing efforts continued to fuel an increase in admission and special events revenue.
- The organization began working on an Interpretive Master Plan to evaluate how best to improve our site and programs. Haley-Sharpe Design was hired as the consultant firm to lead through this process.
- Completion of the Arcadia Mill boardwalk extension and bridge project.

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 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.

**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, 2015 AND 2014**

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 on page 8 of this report.

Summary of Financial Condition

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

	<u>2015</u>	<u>2014</u>
Total assets, excluding capital assets	\$ 2,179,047	\$ 2,240,117
Capital assets	<u>4,470,227</u>	<u>4,434,272</u>
Total assets	<u>\$ 6,649,274</u>	<u>\$ 6,674,389</u>
Current liabilities	<u>\$ 53,338</u>	<u>\$ 33,745</u>
Invested in capital assets	4,470,227	4,434,272
Reserved	160,907	160,248
Designated	38,312	38,235
Undesignated	<u>1,926,490</u>	<u>2,007,889</u>
Total fund balance/net position	<u>6,595,936</u>	<u>6,640,644</u>
Total liabilities and net position	<u>\$ 6,649,274</u>	<u>\$ 6,674,389</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, 2015 AND 2014**

Summary of Financial Condition (Continued)

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

	2015	2014
Program revenues	\$ 664,080	\$ 1,804,764
General revenues	36,894	200,096
Total revenues	700,974	2,004,860
Historic Pensacola Village and museum activities	70,877	46,334
Historic preservation and education programs	61,793	493,834
Management and general	476,830	375,361
Depreciation	136,182	92,733
Total expenditures/expenses	745,682	1,008,262
Change in net position	\$ (44,708)	\$ 996,598

Capital Assets

The Trust's investment in capital assets totaled \$4,470,227 (net of accumulated depreciation of \$824,474). Capital assets include land, buildings and improvements, and furniture, and 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 32576-2866

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, 2015 AND 2014

	2015			2014		
	General Fund	Adjustments (Note 1)	Statement of Net Position	General Fund	Adjustments (Note 1)	Statement of Net Position
Assets:						
Cash	\$ 493,084	\$ -	\$ 493,084	\$ 578,346	\$ -	\$ 578,346
Certificates of deposit	178,214	-	178,214	177,997	-	177,997
Due from UWF Foundation	1,238,099	-	1,238,099	1,235,724	-	1,235,724
Due from UWF	-	-	-	700	-	700
Grants and local support receivable	49,273	-	49,273	22,968	-	22,968
Accrued interest receivable	130	-	130	130	-	130
Inventory	90,501	-	90,501	94,950	-	94,950
Prepaid assets	3,814	-	3,814	3,370	-	3,370
Historical properties, antiques and collections	125,248	-	125,248	125,248	-	125,248
Deposits	684	-	684	684	-	684
Capital assets -						
Non-depreciable	-	1,010,660	1,010,660	-	1,010,660	1,010,660
Depreciable, net of accumulated depreciation	-	3,459,567	3,459,567	-	3,423,612	3,423,612
Total Assets	\$ 2,179,047	\$ 4,470,227	\$ 6,649,274	\$ 2,240,117	\$ 4,434,272	\$ 6,674,389
Liabilities:						
Accounts payable	\$ 8,051	\$ -	\$ 8,051	\$ 6,119	\$ -	\$ 6,119
Due to UWF	14,135	-	14,135	-	-	-
Deferred revenue	31,152	-	31,152	27,626	-	27,626
Total liabilities	53,338	-	53,338	33,745	-	33,745
Fund Balance/Net Position:						
Invested in capital assets	-	4,470,227	4,470,227	-	4,434,272	4,434,272
Nonspendable	220,247	(220,247)	-	224,252	(224,252)	-
Restricted/reserved	160,907	-	160,907	160,248	-	160,248
Assigned/designated	38,312	-	38,312	38,235	-	38,235
Unassigned/undesignated	1,706,243	220,247	1,926,490	1,783,637	224,252	2,007,889
Total fund balance/net position	2,125,709	4,470,227	6,595,936	2,206,372	4,434,272	6,640,644
Total Liabilities and Fund Balance/Net Position	\$ 2,179,047	\$ 4,470,227	\$ 6,649,274	\$ 2,240,117	\$ 4,434,272	\$ 6,674,389

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, 2015 AND 2014**

	2015			2014		
	General Fund	Adjustments (Note 1)	Statement of Activities	General Fund	Adjustments (Note 1)	Statement of Activities
Program Revenues:						
Grants and local support	\$ 205,626	\$ -	\$ 205,626	\$ 1,386,996	\$ -	\$ 1,386,996
Memberships	-	-	-	15,353	-	15,353
Admissions, including tours and school programs	160,141	-	160,141	129,883	-	129,883
Rents and leases	285,424	-	285,424	260,264	-	260,264
Museum store income, net	12,889	-	12,889	12,268	-	12,268
Total program revenues	<u>664,080</u>	<u>-</u>	<u>664,080</u>	<u>1,804,764</u>	<u>-</u>	<u>1,804,764</u>
General Revenues:						
Interest and dividends	24,464	-	24,464	19,810	-	19,810
Miscellaneous	4,729	-	4,729	4,899	-	4,899
Realized/unrealized gains	7,701	-	7,701	175,387	-	175,387
Total general revenues	<u>36,894</u>	<u>-</u>	<u>36,894</u>	<u>200,096</u>	<u>-</u>	<u>200,096</u>
 Total revenues	 <u>700,974</u>	 <u>-</u>	 <u>700,974</u>	 <u>2,004,860</u>	 <u>-</u>	 <u>2,004,860</u>
Expenditures/Expenses:						
Historic Pensacola Village and museum activities	70,877	-	70,877	46,334	-	46,334
Historic preservation and education programs	61,793	-	61,793	493,834	-	493,834
Management and general	476,830	-	476,830	375,361	-	375,361
Depreciation	-	136,182	136,182	-	92,733	92,733
Capital outlay	172,137	(172,137)	-	970,321	(970,321)	-
Total expenditures/expenses	<u>781,637</u>	<u>(35,955)</u>	<u>745,682</u>	<u>1,885,850</u>	<u>(877,588)</u>	<u>1,008,262</u>
 Change in fund balance/net position	 (80,663)	 35,955	 (44,708)	 119,010	 877,588	 996,598
Fund Balance/Net Position, Beginning of Year	<u>2,206,372</u>	<u>4,434,272</u>	<u>6,640,644</u>	<u>2,087,362</u>	<u>3,556,684</u>	<u>5,644,046</u>
Fund Balance/Net Position, End of Year	<u>\$ 2,125,709</u>	<u>\$ 4,470,227</u>	<u>\$ 6,595,936</u>	<u>\$ 2,206,372</u>	<u>\$ 4,434,272</u>	<u>\$ 6,640,644</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, 2015 AND 2014**

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:

	2015	2014
Telephone	\$ 9,883	\$ 10,487
Operating supplies	31,811	24,244
Office equipment rental	15,580	16,227
Electricity	163,741	147,972
Natural gas	23,614	34,541
Other utilities	42,371	42,982
Repairs and maintenance	501,985	218,024
Permits	450	450
Equipment	30,308	16,485
Contractual services	76,044	66,247
Professional services	18,425	14,348
Security	20,098	18,273
Insurance	8,261	8,377
Other	12,334	5,524
	\$ 954,905	\$ 624,181
Totals		

**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, 2015 AND 2014**

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 \$945,710 and \$1,077,532 for the years ended June 30, 2015 and 2014, 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 \$152,832 for the years ended June 30, 2015 and 2014.

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 \$25,304 and \$6,637 as of June 30, 2015 and 2014, 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. Estimated fair values are recorded if determinable. 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, since there is no objective basis for determining the value.

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.

**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, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued):

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.

Governmental Fund Financial 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.

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 measureable and available. Measureable 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.

**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, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

**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, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Historical Properties, Antiques, and Collections (Continued):

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.

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.

**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, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Donations of capital assets increase net position in the statements of activities, but do not appear in the governmental fund because they are not financial resources. Adjustment is made to include donations of capital assets in the entity-wide statements of activities.

Donated collections do not increase net position in the statements of activities and accordingly, do not appear in the governmental fund because they are not financial resources. Adjustment is made to include donated collections as both revenue and expense in the entity-wide statements of activities.

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, 2015 and 2014 was \$670,063 and \$755,408, respectively, and the bank balance was \$692,318 and \$779,197, respectively. The Trust's cash balances held by financial institutions are insured by the Federal Deposit Insurance Corporation up to certain limits. At June 30, 2015, the Trust had \$17,039 held by financial institutions in excess of insured limits.

NOTE 3 - DUE FROM UWF FOUNDATION

In March 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 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 \$1,238,099 and \$1,235,724 at June 30, 2015 and 2014, respectively.

**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, 2015 AND 2014**

NOTE 4 - CONTRIBUTIONS FROM ESTATES

During 2014, in connection with the MOU executed in March 2013 with UWFF, the Trust received remaining funds of \$498,121 from the estates of two deceased donors and subsequently transferred the funds to UWFF.

In May 2014, the estates entered into a more specific gift agreement with UWFF regarding the use of these funds, specifically the establishment of a research room in the historic Beacon Building. As a result, these remaining funds will be recognized as contributions by the Trust when reimbursement is received from UWFF for the cost of establishing the research room. During 2015, the Trust received and recognized contributions of \$33,943 from UWFF under this agreement.

NOTE 5 - CAPITAL ASSETS

Capital assets consist of the following:

June 30, 2015:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Historic Pensacola Village</u>				
Land	\$ 1,010,660	\$ -	\$ -	\$ 1,010,660
Buildings and improvements	3,589,643	112,556	-	3,702,199
Furniture, fixtures and equipment	55,570	-	-	55,570
<u>Barkley House</u>				
Furniture, fixtures and equipment	14,003	-	-	14,003
<u>General and Administrative</u>				
Furniture, fixtures and equipment	452,688	59,581	-	512,269
	<u>5,122,564</u>	<u>172,137</u>	<u>-</u>	<u>5,294,701</u>
Less accumulated depreciation	688,292	136,182	-	824,474
	<u>\$ 4,434,272</u>	<u>\$ 35,955</u>	<u>\$ -</u>	<u>\$ 4,470,227</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, 2015 AND 2014**

NOTE 5 - CAPITAL ASSETS (Continued)

June 30, 2014:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Historic Pensacola Village</u>				
Land	\$ 1,010,660	\$ -	\$ -	\$ 1,010,660
Buildings and improvements	2,804,391	785,252	-	3,589,643
Furniture, fixtures and equipment	55,570	-	-	55,570
Construction in process	24,240	-	(24,240)	-
<u>Barkley House</u>				
Furniture, fixtures and equipment	14,003	-	-	14,003
<u>General and Administrative</u>				
Furniture, fixtures and equipment	243,379	209,309	-	452,688
	<u>4,152,243</u>	<u>994,561</u>	<u>(24,240)</u>	<u>5,122,564</u>
Less accumulated depreciation	<u>595,559</u>	<u>92,733</u>	<u>-</u>	<u>688,292</u>
	<u>\$ 3,556,684</u>	<u>\$ 901,828</u>	<u>\$ (24,240)</u>	<u>\$ 4,434,272</u>

Depreciation expense was \$136,182 and \$92,733 for the years ended June 30, 2015 and 2014, respectively.

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 \$31,152 and \$27,626 at June 30, 2015 and 2014, respectively.

**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, 2015 AND 2014**

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, 2015 and 2014 are presented as follows:

	<u>2015</u>	<u>2014</u>
Nonspendable -		
Inventory	\$ 90,501	\$ 94,950
Prepaid assets and deposits	4,498	4,054
Historical properties, antiques and collections	<u>125,248</u>	<u>125,248</u>
	<u>\$ 220,247</u>	<u>\$ 224,252</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, 2015 and 2014 are presented as follows:

	<u>2015</u>	<u>2014</u>
Restricted -		
Old Christ Church fund	\$ 157,928	\$ 157,788
Donations and memorials	<u>2,979</u>	<u>2,460</u>
	<u>\$ 160,907</u>	<u>\$ 160,248</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, 2015 AND 2014**

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 \$38,312 and \$38,235 as of June 30, 2015 and 2014, respectively, represents the remaining cash balance in the Veal Education Fund.

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.

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 any of the past two years. The Trust is not aware of any liabilities related to these risks as of June 30, 2015.

OTHER REPORT

**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, 2015, 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 14, 2015.

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

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 14, 2015

UWF Board of Trustees Meeting
Audit & Operations Committee
November 19, 2015

Issue: Internal Auditing Update on Activities
Proposed action: Informational

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

1. Status of audits in process
2. Status of advisory/consulting activities
3. Compliance operation
4. Miscellaneous items

Recommendation: None

Implementation: None

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Prepared by: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636

Presenter: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636

UWF Board of Trustees
Audit and Operations Committee
November 19, 2015

Issue: Revisions to UWF/REG 2.028 University Holidays

Proposed Action: Approve revisions to UWF/REG 2.028 University Holiday

Background Information: Information related to University Holidays has been clarified to reference the President's discretion in designating additional Winter Holidays as appropriate for operational efficiencies.

Fiscal Implications: No fiscal implications

Supporting documents: **UWF BOT REG 2.028, with notice and textual changes**

Prepared by: Ms. Lisa Bernau, Office of the General Counsel, 474-3420,
lbernau@uwf.edu

Facilitator/Presenter: Ms. Patricia Lott, General Counsel

**THE UNIVERSITY OF WEST FLORIDA
NOTICE OF PROPOSED REGULATION AMENDMENT**

REGULATION TITLE: *UWF/REG-2.028 University Holidays*

SUMMARY: Information related to University Holidays was clarified to reference the President's discretion in designating additional Winter Holidays as appropriate for operational efficiencies.

AUTHORITY: BOG Regulation 18.002

NAME OF UNIVERSITY OFFICIAL INITIATING PROPOSED REGULATION AMENDMENT: Ms. Patricia Lott, General Counsel

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED REGULATION IS: Anita Schonberger, Deputy General Counsel, aschonberger@uwf.edu, Phone (850) 474-3420; Bldg. 10/Rm 104; 11000 University Parkway; Pensacola, FL 32514-5750. Any comments regarding the proposed regulation amendment must be sent in writing to the contact person on or before, November 24, 2015.

THE DATE THIS NOTICE WAS POSTED ON THE UWF BOARD OF TRUSTEES WEBSITE: November 5, 2015. **THE DATE THIS NOTICE WAS PUBLISHED IN @UWF:** November 9, 2015.

THE FULL TEXT OF THE PROPOSED AMENDMENT TO THIS REGULATION IS SET FORTH BELOW:

University of West Florida Regulation

UWF/REG-2.028 University Holidays.

(1) The University observes the following paid holidays:

(a) Birthday of Martin Luther King, Jr., third Monday in January.

(b) Memorial Day, last Monday in May.

(c) Independence Day, July 4.

(d) Labor Day, first Monday in September.

(e) Veterans' Day, November 11.

(f) Thanksgiving Day.

(g) Friday after Thanksgiving.

(h) Winter Holiday, all regularly scheduled work days beginning December 24 and continuing through January 1.

(i) **The President may designate additional holidays as appropriate for operational efficiencies.**

(2) If any holiday listed in paragraphs (a)-(g) above falls on a Saturday, the Friday preceding that holiday shall be observed as a holiday. If any holiday listed in paragraphs (a)-(g) above falls on a Sunday, the Monday following that holiday shall be observed as a holiday.

*Specific Authority ~~Florida Board of Governors Regulation 18.002.1001.74(4) FS. Law Implemented 1001.74(19) FS.~~
History—New 10-20-03. Formerly FAC Rule 6C6 -2.028, adopted 10/20/03, Converted to UWF/REG-2.028-7/21/05,
amended _____.*