



AGENDA

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

**Audit & Compliance Committee Meeting
November 18, 2016**

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

Call to Order/Roll Call. Dick Baker, Chair

Greeting Dick Baker

Action Item(s):

1. Approval of Internal Audits: Quality Assurance Review-Self Assessment, Confucius Institute, Departmental Audit-CASSH Dean’s Office, and Departmental Audit-CEPS Dean’s Office
2. Approval of Annual Certification of UWF Business Enterprise, Inc. External Audit: Financial Statement Audit of Direct Support Organization
3. Approval of External Audit: Financial Statement Audit of Direct Support Organization – University of West Florida Foundation, Inc.
4. Approval of Annual Certification and the External Audit: Financial Statement Audit of Direct Support Organization – West Florida Historic Trust, Inc.
5. Approval of Internal Auditing PCard Audit Reports: Quarter 1 Update (July 2016 – September 2016)

Information Item:

1. Internal Auditing and Compliance Update

Other Committee Business:

Adjournment

UWF Board of Trustees Meeting
Audit & Compliance Committee
November 18, 2016

Issue: UWF Internal Auditing Reports Issued

Proposed action: Acceptance

Background information:

Internal Auditing & Compliance (IAC) completed four audits during the period July 1, 2016 through October 15, 2016: Quality Assurance Review-Self Assessment, Confucius Institute, Departmental Audit-CASSH Dean's Office, and Departmental Audit-CEPS Dean's Office.

QAR-Self Assessment 15-16-008

The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)* require that once every five years internal audit functions have an assessment to ascertain compliance with these *Standards* and appraise the quality of operations. Periodic self-assessments by professionals with a working knowledge of the *Standards* are integral to the quality assurance program. This self-assessment is performed in preparation for a validation. For the self-assessment we focused upon the prior year as of May 31, 2016. There are three levels of assurance for expressing an opinion on this self-assessment.

- **"Generally Conforms"** means an internal audit activity has a charter, policies, and processes that are judged to be in accordance with the *Standards*, with some opportunities for improvement.
- **"Partially Conforms"** means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies do not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **"Does not Conform"** means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or significant areas of its responsibilities.

Our self-assessment determined the UWF Internal Auditing & Compliance (IAC) function "generally conforms" to the *Standards*. We identified three Notable Strengths: a) commitment to a quality assurance and improvement plan (QAIP), b) developing and implementing in-house audit software – McAudit, and c) dedication to professional training and certifications. Our report identified one opportunity for improvement related to obtaining ongoing IT training for designated IAC staff. The Associate Vice President for Internal Auditing has committed to a minimum of 20 hours annually for IT training to be completed by designated staff members.

The validation team, composed of higher education internal auditors from across the country, was onsite November 7-10, 2016. Their validation report will be presented at the February 23, 2016, BOT Audit & Compliance meeting.

Confucius Institute 16-17-001

Our audit period was January 2, 2015-June 30, 2016, and part of the work plan for 2016/17. The report was issued September 16, 2016. This audit's objective was to evaluate the mission, goals and objectives of the Confucius Institute for congruence with those of the University of West Florida.

Results:

A Notable Strength was the thorough and informative Annual Report for 2015; this booklet was a good representation of the many ways in which the Confucius Institute is integrated into the lives of UWF students and the local community. This audit included two recommendations:

1. The Confucius Institute staff should create written policies and procedures for their routine tasks and should review them periodically for needed modifications.
2. The Confucius Institute Director should obtain clarification in writing concerning Hanban's expectations for funding OPS employee costs, in a format that meets standards established by the UWF Office of General Counsel. Clarification should be obtained for calendar years 2015, 2016 and all calendar years going forward.

Management's Actions: Management developed in late September written policies and procedures; these are posted online within the university's online repository, Confluence. The Confucius Institute Director sought clarification from Hanban in October 2016; the new budget separates staff funding from equipment.

Departmental Audit-CASSH Dean's Office 16-17-003

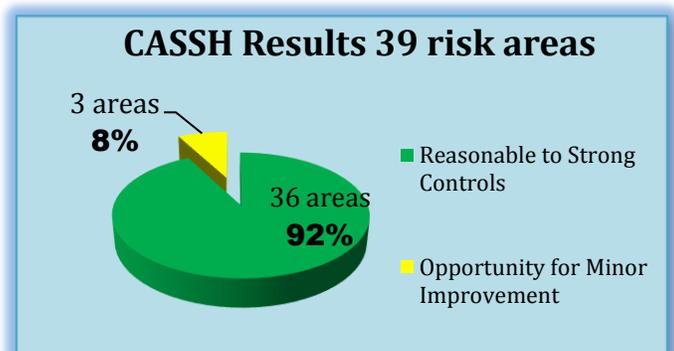
This audit was part of the 2016/17 internal auditing work plan approved by the BOT at its June 2016 meeting. The audit period was FY2015/16. The audit's objective was to examine 39 areas of risk and determine the strength of the controls for appropriate risk mitigation. The audit report was issued October 12, 2016.

Results:

Three Notable Strengths were identified: a) weekly review of financial activity between the Dean and the Business Manager, b) training videos with step-by-step instructions created by the Dean's Office for faculty and office administrators about processes and routine document processing, and c) commitment to CASSH faculty technology via budget planning to include \$300/faculty member per year in the college to purchase/upgrade technology. Of the 39 areas of risk only two areas warranted recommendations.

1. Document and communicate the IT strategic plan for CASSH.
2. Development of procedures to notify and collect the Report of Outside Activities early in the Fall Semester, as well as procedures to remind staff at the onset of each Spring Semester.

Note: The Dean's Office prior PCard audit (received a **Fair** rating) was the third risk area with opportunity for minor improvement.



Management's Actions: Management will develop an IT strategic plan for CASSH that will become effective July 1, 2017. Informational materials will be created and distributed to CASSH employees by

December 1, 2016; a college policy will become effective Spring term 2017, and faculty members will be required to meet the expectation of reporting as of Spring term 2017.

Departmental Audit-CEPS Dean’s Office 16-17-004

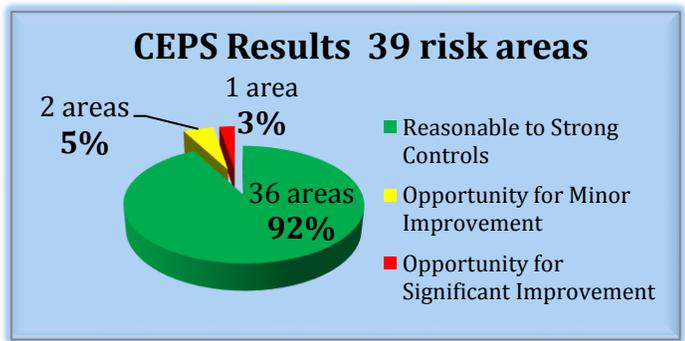
This audit was part of the 2016/17 internal auditing work plan approved by the BOT at its June 2016 meeting. The audit period was FY2015/16. The audit’s objective was to examine 39 areas of risk and determine the strength of the controls for appropriate risk mitigation. The audit report was issued October 10, 2016.

Results:

Two Notable Strengths were identified: a) thorough college policies exist for attractive assets and monthly reconciliation processes and b) all Reports of Outside Activities were filed prior to the commencement of outside work. Of the 39 risk areas two warranted recommendations, one for minor improvement and the other for a significant improvement.

1. Document and communicate IT strategic plan for CEPS.
2. CEPS Technology Support Services team work with ITS personnel to improve IT security controls to ensure the integrity and availability of university data and IT resources.

Note: The Dean’s Office prior PCard audit (received a **Fair** rating) was the second risk area with opportunity for minor improvement.



Management’s Actions: Management developed an IT strategic plan for CEPS, effective October 6, 2016. This plan includes dates and measurements for three strategic objectives. Management is working with ITS and establishing guidelines/policy related to security aspects for a university computing workstation; it is anticipated the policy will be implemented by March 31, 2017.

Recommendation: Acceptance of the Internal Auditing reports

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

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Supporting documents

- UWF-15-16-008 Quality Assurance Review: Self-Assessment
- UWF-16-17-001 Confucius Institute
- UWF -16-17-003 Departmental Audit: CASSH Dean’s Office
- UWF-16-17-004 Departmental Audit: CEPS Dean’s Office

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

Presenter: Betsy Bowers, Associate Vice President

EXECUTIVE SUMMARY

The University of West Florida (UWF) internal audit activity is required every five years by the Institute of Internal Auditors *International Standards for Professional Practice of Internal Auditing* (Standards) to have an assessment to ascertain compliance with these *Standards* and appraise the quality of operations. Periodic self-assessments by professionals with a working knowledge of the *Standards* are integral to the quality assurance program. Additionally, the self-assessment is performed in preparation for a validation.

There are three levels of assurance for expressing an opinion on this self-assessment. **“Generally Conforms”** means an internal audit activity has a charter, policies, and processes that are judged to be in accordance with the *Standards*, with some opportunities for improvement. **“Partially Conforms”** means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies do not preclude the internal audit activity from performing its responsibilities in an acceptable manner. **“Does not Conform”** means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or significant areas of its responsibilities.

The UWF Internal Auditing & Compliance (IAC) function has been successful for many years as a result of these interrelated factors:

- Understanding and acceptance by UWF management and staff that internal audit services are beneficial to helping UWF achieve its mission and strategic goals.
- Competent and dedicated audit professionals who have served UWF since 1969 [42+ years].

For the self-assessment review period, we focused on the prior year as of May 31, 2016. We believe that IT audit training should be enhanced to make the IAC more efficient.

BACKGROUND

The IIA *Standards* require that the internal audit function conduct internal quality assurance reviews every five years to assess compliance with the *Standards* and to appraise the quality of operations. A self-assessment is performed to lay the foundation for the external peer

Validation Team review and provide key information to them.

UWF IAC has a charter, policies and procedures that are judged to be in accordance with the *Standards*.

UWF’s internal audit operation was created in 1969 and reported to the Vice President for Administrative Affairs. In 1993, our reporting structure was moved from the Vice President to the President. In 1994, we fell under the provisions of Florida Statute Section 20.055 and were named the Office of Inspector General. In August 2002, our office was renamed Internal Auditing and Management Consulting (IAMC). On March 1, 2016, the name changed to Internal Auditing & Compliance in order to encompass the University’s compliance function.

We are responsible for audits, investigations, accountability activities, consulting activities, and compliance. UWF IAC reports administratively to the University President and functionally to the UWF Board of Trustees via the Internal Auditing and Compliance Committee (formerly called the Audit and Operations Committee). This structure ensures the department’s independence, promotes broad audit coverage, provides a balance for audit, investigative and accountability functions, and enhances operation of an effective action on the IAC recommendations.

NOTABLE STRENGTHS

UWF IAC department is very well organized. The leadership and staff are dedicated to keeping current with auditing trends and risks in the fast-paced higher education environment. Successful benchmarks include:

- Commitment to a quality assurance and improvement plan (QAIP),
- Developing and implementing in-house audit software – McAudit, and
- Dedication to professional training and certifications.

KEY OBSERVATION

Internal Auditing & Compliance reviewed policies, procedures, internal documents, and records from previous audits. The review revealed that for small audit departments, like IAC, best practices call for a staff member(s) to be trained to perform IT audits.

SUGGESTED MANAGEMENT ACTIONS

Below is a summary of suggested actions, which will serve to strengthen the overall function:

- IT audit training should be enhanced.

The above report explains observations and suggested opportunities for enhancement, which will increase the effectiveness of the UWF Internal Auditing & Compliance department. Based on the information reviewed and evaluated during this self-assessment, it is my opinion that the UWF IAC **Generally Conforms** to the IIA *Standards, Code of Ethics* and the Definition of Internal Auditing.

Respectfully submitted,

Betsy Bowers, CIA, CFE, CGFM, CRMA, CICA
Associate Vice President

Audit performed by: Dan Bevil, CICA

REPORT PROVIDED TO THE FOLLOWING:

Dr. Judith A. Bense, President
Lewis Bear, Chair BOT
Richard Baker, Chair BOT Audit & Compliance Committee
Bob Jones, BOT Audit & Compliance Committee
Greg Britton, BOT Audit & Compliance Committee
Dr. Martha Saunders, Executive Vice President and Provost
Jamie Hoelscher, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Joe Maleszewski, BOG Chief Inspector General
Lori Clark, BOG Compliance and Audit Specialist
Rebecca Luntsford, BOT Liaison



**OBSERVATIONS
WITH
MANAGEMENT'S
RESPONSES**

**QAR Self-
assessment
UWF 15-16_008**

OBSERVATION WITH MANAGEMENT RESPONSE

What We Found	The IAC does not have a dedicated IT internal auditor.
Why the Issue is Important	Information technology is a crucial part of the audit universe. IIA Standard 1210.A3 states, " <i>Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work.</i> "
What is Causing the Issue	Budget constraints and the size of the UWF IAC department prevented the hiring of a full-time IT auditor.
What is Expected or Required	■ IT audit training should be enhanced.
What We Suggest	On-going IT audit training should be accomplished by a designated IAC staff.
Responsible Auditee	Betsy Bowers, Associate Vice President, Internal Auditing & Compliance
What Action Management Commits to Do	UWF Internal Auditing & Compliance will include in its training schedule a minimum of 20 hours annually for IT training to be completed by staff members.
Implementation Date	Immediately

EXECUTIVE SUMMARY

We audited Confucius Institute for the period of January 1, 2015, through June 30, 2016. This audit was included as part of our 2016/17 audit work plan, determined by our annual risk assessment. Our objectives were to evaluate the mission, goals, and objectives of Confucius Institute for congruence with those of the University of West Florida (UWF).

Audit fieldwork began on August 8, 2016, and ended on August 15, 2016. Our audit was conducted in accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and generally accepted auditing principles.

BACKGROUND

The Confucius Institute (CI) promotes the study of Chinese language and culture. Chinese language courses are offered to UWF students as well as the local community. UWF established a partnership with Sichuan International Studies University (SISU) in Chongqing, China in May 2013 to establish a Confucius Institute program on campus.

Funding is provided by Hanban, also known as the Office of Chinese Language Council International. The level of funding for each calendar year is based on a detailed budget request submitted by the UWF CI Director. This typically includes operating expenses for the department and the events they host or participate in, and travel expenses to China. Hanban also provides Chinese instructors to teach credit and non-credit language classes at UWF. Revenue from these courses is applied to the cost of the Director's salary and fringe benefits, and housing costs for Chinese instructors; however, this revenue has not as yet been sufficient to cover these costs.

The Board of Advisors includes the President, the CI Director, and representatives from SISU. SISU provides visiting scholars/instructors to teach Chinese language and culture at UWF. On-campus housing and offices for

Chinese instructors are provided by UWF. The local UWF staff also includes a Deputy Director and an Information Specialist (an OPS position).

Funding amounts are reflected in the tables below:

	Start Up	For 2014	For 2015	For 2016
Funding Provided by Hanban	\$150,000	\$58,963	\$106,263	\$112,265

Funding Provided by UWF:	FY13/14	FY14/15	FY15/16
E&G budget	\$142,094	\$137,297	\$138,007
Chinese language courses		\$941	\$43,780
Supplemental transfers	\$37,400	\$6,095	\$10,450

NOTABLE STRENGTHS

Confucius Institute prepared an excellent Annual Report for 2015. This booklet included descriptions of the various events in which they participated during the year, along with photographs depicting participants. The booklet is a good representation of the many ways in which the Confucius Institute is integrated into the lives of UWF students and the local community.

KEY OBSERVATIONS

The primary objective of our audit was related to the mission, goals, and objectives of Confucius Institute. We found that these elements were well-documented and communicated, and aligned well with the overall UWF mission, goals, and objectives. We have no recommendations to make regarding the alignment of the CI mission, goals, and objectives with those of UWF.

Other observations were made as follow:

1. The Confucius Institute had not developed written policies and procedures for their activities, which would serve as a useful tool for training, consistency, and a method of minimizing misunderstandings between Director and staff.

2. Documents detailing the approved budgets from Hanban for calendar year 2015 were submitted to IAC and to the Provost's Office; however, the line item on these budgets for OPS staff expense was inconsistent between the two documents. To further confuse matters, verbal clarification from the CI Deputy Director, who also acts as the official liaison with Hanban, differed from both of the these budget documents. Current budget documents cannot be requested directly from Hanban for auditing purposes, since they are written in Chinese. We were provided with a copy of the 2016 budget submitted to Hanban, and this document also did not clarify amounts to be funded for the OPS employee costs. The confusion over the amount allowed to be funded for this expense creates a hardship on the UWF staff who are expected to ensure compliance with the Hanban agreement.

SUGGESTED MANAGEMENT ACTIONS

- 1. The CI staff should create written policies and procedures for their routine tasks, and should review them periodically for needed modifications.
- ▲ 2. The CI Director should obtain clarification in writing concerning Hanban's expectations for funding OPS employee costs, in a format that meets standards established by the UWF Office of General Counsel. Clarification should be obtained for calendar year 2015, 2016 and all calendar years going forward.

We appreciate the cooperation, professionalism, and responsiveness of the Confucius Institute and OEDIA staff who were involved in the audit.

Respectfully submitted,

Betsy Bowers, Associate Vice President

REPORT PROVIDED TO THE FOLLOWING:

Dr. Judith A. Bense, President
Lewis Bear, Chair BOT
Richard Baker, Chair BOT Audit & Compliance Committee
Bob Jones, BOT Audit & Compliance Committee
Greg Britton, BOT Audit & Compliance Committee
Dr. Martha Saunders, Executive Vice President and Provost
Dr. George Ellenberg, Vice Provost
Dr. Kim LeDuff, Dean/AVP University College
Dr. Kuiyuan Li, Director, Confucius Institute
Rachel Hendrix, Assistant Dean, International Student Services
Shelly Blake, Director of Budgets, Academic Affairs
Jim Stultz, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Joe Maleszewski, BOG Chief Inspector General
Lori Clark, BOG Compliance and Audit Specialist
Rebecca Luntsford, BOT Liaison



**OBSERVATIONS
WITH
MANAGEMENT'S
RESPONSES**

Confucius Institute
UWF 16-17_001

OBSERVATION #1 WITH MANAGEMENT RESPONSE

What We Found	The Confucius Institute had not developed written policies and procedures for their activities.
Why the Issue is Important	Written policies and procedures would serve as a useful tool for training, consistency, and a method of minimizing misunderstandings between Director and staff.
What is Causing the Issue	The program is fairly new and still developing.
What is Expected or Required	■ Formalization of policies and procedures.
What We Suggest	The CI staff should create written policies and procedures for their routine tasks, and should review them periodically for needed modifications.
Responsible Auditee	Dr. Kuiyuan Li, CI Director
What Action Management Commits To Do	The CI has developed written policies and procedures which are now posted in Confluence.
Implementation Date	September 2016

OBSERVATION #2 WITH MANAGEMENT RESPONSE

<p>What We Found</p>	<p>Documents detailing the approved budgets from Hanban for calendar year 2015 were submitted to IAC and to the Provost's Office; however, the line item on these budgets for OPS staff expense was inconsistent between the two documents. To further confuse matters, verbal clarification from the CI Deputy Director, who also acts as the official liaison with Hanban, differed from both of the these budget documents. Current budget documents cannot be requested directly from Hanban for auditing purposes, since they are written in Chinese. We were provided with a copy of the 2016 budget submitted to Hanban, and this document also did not clarify amounts to be funded for the OPS employee costs. The confusion over the amount allowed to be funded for this expense creates a hardship on the UWF staff who are expected to ensure compliance with the Hanban agreement.</p>
<p>Why the Issue is Important</p>	<p>Need to ensure that UWF complies with the written agreement with Hanban.</p>
<p>What is Causing the Issue</p>	<p>Limited communication between UWF and Hanban due to language barriers and a CI Deputy Director position in transition.</p>
<p>What is Expected or Required</p>	<p>Clarification of the amount that Hanban is willing to pay for OPS costs of the operation.</p>
<p>What We Suggest</p>	<p>▲ The CI Director should obtain clarification in writing concerning Hanban's expectations for funding OPS employee costs, in a format that meets standards established by the UWF Office of General Counsel. Clarification should be obtained for calendar year 2015, 2016 and all calendar years going forward.</p>
<p>Responsible Auditee</p>	<p>Dr. Kuiyuan Li, CI Director</p>
<p>What Action Management Commits To Do</p>	<p>The CI received a response from Hanban and the new budget separates staff funding from equipment. There was a slight increase in funding for a staff position (from \$9,000 to \$16,000). University College is working with the CI to accommodate their needs. The Office of Equity and Diversity and the CI will share costs to hire a full time administrative specialist in a line position who will work with both offices. The \$16,000 from Hanban will be used to cover an OPS position in the CI that will assist with events and daily activities as needed.</p>
<p>Implementation Date</p>	<p>October 31, 2016</p>

EXECUTIVE SUMMARY

We audited the operations of the College of Education and Professional Studies Dean's Office (CEPS) for the period of July 1, 2015, through June 30, 2016. This audit was included as part of our 2016/17 audit work plan, determined by our annual risk assessment. Our objective was to examine each area of risk to determine the strength of the controls for appropriate risk mitigation.

Audit fieldwork began on July 15, 2016, and ended on September 23, 2016. Our audit was conducted in accordance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, the *IIA Code of Ethics* and generally accepted auditing principles.

BACKGROUND

In September 2014 the Provost's Office reorganized the colleges and created five colleges from the existing four: CEPS, College of Arts, Social Sciences and Humanities (CASSH), College of Business (COB), College of Health (COH), and Hal Marcus College of Science and Engineering (CSE).

In addition to the Dean, the Associate Dean, and the Assistant Dean, the CEPS Dean's Office is staffed with five professionals. The mission of CEPS is to educate and prepare competent professionals and educators to resolve 21st century problems using the most advanced theoretical, managerial and technological knowledge, skills and abilities available. The college has nine departments and two program accreditations: Council on Social Work Education (CSWE) and National Council for Accreditation of Teacher Education (NCATE).

NOTABLE STRENGTHS

Some areas in which controls within CEPS Dean's Office were particularly strong included:

- Thorough college policies exist for attractive assets and for monthly reconciliation processes.
- All Reports of Outside Activities for CEPS were filed prior to the commencement of outside work.

KEY OBSERVATIONS



The primary objective was to examine the 39 areas of risk to determine the strength of the controls for appropriate risk mitigation. As noted in the table on pages 3 and 4, we found there were reasonable to strong controls in place in 36 (92%) of the 39 areas reviewed. We noted opportunities for minor improvements in two (5%) of the 39 areas reviewed. Finally, we noted one (3%) opportunity for significant improvement in the 39 areas reviewed. This significant issue is an IT security topic.

Observations are as follow:

1. The Dean has a strategic IT vision for CEPS; however, it has not been formalized and shared.
2. Certain university security controls related to user privileges needed improvement. We are not disclosing specific details of this issue in the report to avoid the possibility of compromising university data and IT resources. However, we have notified appropriate university management of the specific issues.

SUGGESTED MANAGEMENT ACTIONS

- 1. Document and communicate the strategic IT goals for CEPS.
- 2. The CEPS Technology Support Services team should work with ITS personnel to improve IT security controls to ensure the integrity and availability of university data and IT resources.

CONCLUSION

Overall, we believe a strong internal control structure exists within CEPS Dean's Office. We would like to thank the staff in the CEPS Dean's Office for their cooperation and assistance during this review process. We are confident that, with management's cooperation and their commitment to address these issues, the CEPS Dean's Office will be well positioned to have strong risk mitigation procedures in place over each of the 39 areas reviewed.

Respectfully submitted,

Betsy Bowers, CIA, CFE, CGFM, CRMA, CICA
Associate Vice President
UWF Internal Auditing

REPORT PROVIDED TO THE FOLLOWING:

Dr. Judith A. Bense, President
Lewis Bear, Chair BOT
Richard Baker, Chair BOT Audit & Compliance Committee
Bob Jones, BOT Audit & Compliance Committee
Greg Britton, BOT Audit & Compliance Committee
Dr. Martha Saunders, Executive Vice President and Provost
Dr. George Ellenberg, Vice Provost
Dr. William Crawley, Dean CEPS
Jamie Hoelscher, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Joe Maleszewski, BOG Chief Inspector General
Lori Clark, BOG Compliance and Audit Specialist
Rebecca Luntsford, BOT Liaison

	Risk Area	Risk Mitigation		
		Reasonable to Strong Controls in Place	Opportunity for Minor Improvement	Opportunity for Significant Improvement
Fiscal				
1	A. Accuracy of Financial Records			
2	B. Sponsored Programs			
3	C. Capital Assets			
4	D. Attractive Assets			
5	E. Foundation Funds			
6	F. Travel			
7	H. Distribution and Control of Payroll Checks/Advices			
8	I. Procurement			
9	J. PCard		Fair Rating on last PCard audit	
10	K. Telecommunications			
11	L. Risk Management/Insurance			
Human Resources				
12	A. Leave Reporting			
13	B. Off-site Assignments			
14	C. Employment Eligibility Verification			
15	D. Sexual Harassment Prevention			
16	E. Consultants vs. Employees			
17	F. Compliance w/Equal Employment Opportunity Act			
18	G. Annual Performance Evaluations			
19	H. Conflict of Interest			
Legal and Regulatory				
20	A. Contracts			
21	B. Gifts			
22	C. Public Records Act			
Health and Safety				
23	A. Safety of Workplace			
Information Systems				
24	A. Strategy and Vision (Executive, Dean, Chair, etc....)			
25	B. Logical Security			
26	C. Physical Security & Environmental Controls			
27	D. Data Stewardship			
28	E. Equipment Maintenance			

	Risk Area	Risk Mitigation		
		<i>Reasonable to Strong Controls in Place</i>	<i>Opportunity for Minor Improvement</i>	<i>Opportunity for Significant Improvement</i>
29	<i>F. Business Continuity of IT Resources</i>			
30	<i>G. IT Training</i>			
31	<i>H. Information Security and Acceptable Use</i>			
32	<i>I. Operations/Administration</i>			
33	<i>J. Web Site Operation/Development</i>			
Public Relations				
34	<i>A. Public Relations Management</i>			
35	<i>B. Association with External Organizations</i>			
Students				
36	<i>A. International Students</i>			
37	<i>B. Sexual Harassment Prevention-Student Focus</i>			
37	<i>B. Protection of Information</i>			
General				
39	<i>Policies and Procedures</i>			
Totals		36	2	1
		92%	5%	3%

**OBSERVATIONS
WITH
MANAGEMENT'S
RESPONSES**

**CEPS Dean's Office
UWF 16-17_004**

OBSERVATION #1 WITH MANAGEMENT RESPONSE

What We Found	The Dean has a strategic vision for IT resources for CEPS; however, it has not been formalized.
Why the Issue is Important	Strategic goals for the college are established and often encompass IT aspects to achieve these goals. Assessing the technology needs and costs is the next step. Any gaps identified may be addressed as well as keeping the college faculty informed.
What is Causing the Issue	This facet of the strategic planning has been articulated by the Dean and is understood; however, it had not been formally communicated. The Dean was unaware of the need to formalize this aspect.
What is Expected or Required	<ul style="list-style-type: none"> ■ Identify and communicate some short-term and long-term IT goals for CEPS.
What We Suggest	Document and communicate the strategic IT goals for CEPS.
Responsible Auditee	Dr. William Crawley, Dean
What Action Management Commits To Do	As a result of this new request, the College of Education and Professional Studies Technical Support Services Office (CTSS) worked with the CEPS Dean's Office and the CEPS Office of Assessment and Strategic Planning to create a strategic plan and mission statement. Please see the Attachment on page 8.
Implementation Date	<p>October 6, 2016</p> <p>It is posted on the CEPS website: http://uwf.edu/media/university-of-west-florida/colleges/ceps/tss/2016-2018-Mission-and-Strategic-Plan.pdf The plan includes dates and measurements for the three (3) strategic objectives which have begun.</p>

OBSERVATION #2 WITH MANAGEMENT RESPONSE

What We Found	Certain university security controls related to user privileges needed improvement.
Why the Issue is Important	IT security is critical to the daily operations of any department on campus.
What is Causing the Issue	We are not disclosing specific details of this issue in the report to avoid the possibility of compromising university data and IT resources. However, we have notified appropriate university management of the specific issues.
What is Expected or Required	■ Improvement in security controls within CEPS.
What We Suggest	CEPS Technology Support Services team work with ITS personnel to improve IT security controls to ensure the integrity and availability of university data and IT resources.
Responsible Auditee	Dr. William Crawley, Dean Ms. Melanie Haveard, Chief Technology Officer
What Action Management Commits To Do	During the CEPS audit, it was determined CTSS provides administrative access to all CEPS users. There is currently no university policy directing administrative access. As such, CTSS worked with other University of West Florida colleges and several smaller units to determine their administrative privileges. Of the seven surveyed, six responded that administrative privileges are provided to "all" users. The college and unit responses were brought to the attention of the Director of Information Technology for the University, Melanie Haveard, by the Office of Internal Auditing & Compliance. Melanie Haveard is currently working with the University of West Florida's General Counsel to publish an official policy entitled "Administrative Rights to a University Computing Workstation" which will direct administrative privilege.
Implementation Date	March 31, 2017

EXECUTIVE SUMMARY

We audited the operations of the College of Arts, Social Sciences and Humanities Dean's Office (CASSH) for the period of July 1, 2015, through June 30, 2016. This audit was included as part of our 2016/17 audit work plan, determined by our annual risk assessment. Our objective was to examine each area of risk to determine the strength of the controls for appropriate risk mitigation.

Audit fieldwork began on July 8, 2016, and ended on September 28, 2016. Our audit was conducted in accordance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, the IIA *Code of Ethics* and generally accepted auditing principles.

BACKGROUND

In September 2014 the Provost's Office reorganized the colleges and created five colleges from the existing four: CASSH, College of Business (COB), College of Education and Professional Studies (CEPS), College of Health (COH), and Hal Marcus College of Science and Engineering (CSE).

In addition to the Dean, the Associate Dean, and the Assistant Dean, the CASSH Dean's Office is staffed with five professionals. The mission of CASSH is to celebrate the arts, social sciences, and humanities as central to a cutting-edge education. The college has 10 departments.

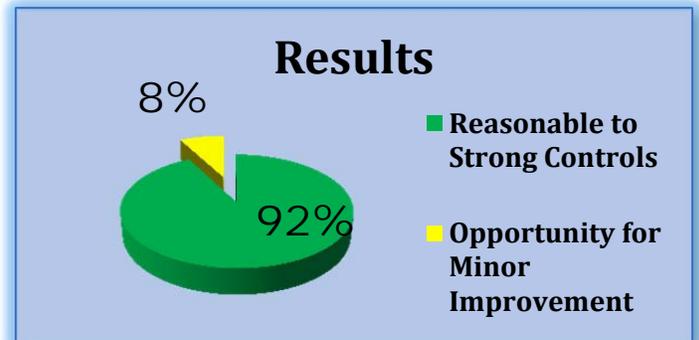
NOTABLE STRENGTHS

Some areas in which controls within CASSH Dean's Office were particularly strong included:

- Procedures for ensuring accuracy of financial records and weekly review of financial activity occurring between the Dean and the Business Manager.
- Training videos with step by step instruction created by Dean's office administrators, via Camtasia, to instruct faculty and office administrators about processes (e.g. FACS system) as well as routine document processing.

- Commitment to faculty technology by via budget planning to include \$300/faculty member per year in the college to purchase/upgrade technology.

KEY OBSERVATIONS



The primary objective was to examine each area of risk to determine the strength of the controls for appropriate risk mitigation. As noted in the table on page 3 (92%) we found there were reasonable to strong controls in place in 36 of the 39 areas reviewed. We noted opportunities for minor improvements in 3 (8%) of the 39 areas reviewed. Finally, we noted no opportunities for significant improvement in the 39 areas reviewed. Our detailed analysis is found on pages 3 and 4.

Other observations are as follow:

1. The Dean has a strategic IT vision for CEPS; however, it has not been formalized and shared.
2. Report of Outside Activity/Conflict of Interest forms had been filed by 15 faculty members (totaling 21 reports); however, 57% (12 reports) were filed after the outside activity began which is a violation of UWF Policy AC-11.02-03/15.

SUGGESTED MANAGEMENT ACTIONS

1. Document and communicate the strategic IT goals for CASSH.
2. Ensure that faculty and staff file the Report of Outside Activity/Conflict of Interest forms prior to the starting of the outside activity.

CONCLUSION

Overall, we believe a strong internal control structure exists within CASSH Dean's Office. We would like to thank the staff in the CASSH Dean's Office for their cooperation and assistance during this review process. We are confident that, with management's cooperation and their commitment to address these issues, the CASSH Dean's Office will be well positioned to have strong risk mitigation procedures in place over each of the 39 areas reviewed.

Respectfully submitted,

Betsy Bowers, CIA, CFE, CGFM, CRMA, CICA
Associate Vice President
UWF Internal Auditing

REPORT PROVIDED TO THE FOLLOWING:

Dr. Judith A. Bense, President
Lewis Bear, Chair BOT
Richard Baker, Chair BOT Audit & Compliance Committee
Bob Jones, BOT Audit & Compliance Committee
Greg Britton, BOT Audit & Compliance Committee
Dr. Martha Saunders, Executive Vice President and Provost
Dr. George Ellenberg, Vice Provost
Dr. Steve Brown, Dean CASSH
Ms. Michelle Doyle, Business Manager CASSH
Zackery Mitchell, IT Coordinator CASSH
Melanie Haveard, CTO
Geissler Golding, CSO
Jamie Hoelscher, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Joe Maleszewski, BOG Chief Inspector General
Rebecca Luntsford, BOT Liaison

	Risk Area	Risk Mitigation		
		Reasonable to Strong Controls in Place	Opportunity for Minor Improvement	Opportunity for Significant Improvement
Fiscal				
1	A. Accuracy of Financial Records			
2	B. Sponsored Programs			
3	C. Capital Assets			
4	D. Attractive Assets			
5	E. Foundation Funds			
6	F. Travel			
7	H. Distribution and Control of Payroll Checks/Advices			
8	I. Procurement			
9	J. PCard		"Fair" Rating on last PCard audit	
10	K. Telecommunications			
11	L. Risk Management/Insurance			
Human Resources				
12	A. Leave Reporting			
13	B. Off-site Assignments			
14	C. Employment Eligibility Verification			
15	D. Sexual Harassment Prevention			
16	E. Consultants vs. Employees			
17	F. Compliance w/Equal Employment Opportunity Act			
18	G. Annual Performance Evaluations			
19	H. Conflict of Interest			
Legal and Regulatory				
20	A. Contracts			
21	B. Gifts			
22	C. Public Records Act			
Health and Safety				
23	A. Safety of Workplace			
Information Systems				
24	A. Strategy and Vision (Executive, Dean, Chair, etc....)			
25	B. Logical Security			
26	C. Physical Security & Environmental Controls			
27	D. Data Stewardship			
28	E. Equipment Maintenance			

	Risk Area	Risk Mitigation		
		<i>Reasonable to Strong Controls in Place</i>	<i>Opportunity for Minor Improvement</i>	<i>Opportunity for Significant Improvement</i>
29	<i>F. Business Continuity of IT Resources</i>			
30	<i>G. IT Training</i>			
31	<i>H. Information Security and Acceptable Use</i>			
32	<i>I. Operations/Administration</i>			
33	<i>J. Web Site Operation/Development</i>			
Public Relations				
34	<i>A. Public Relations Management</i>			
35	<i>B. Association with External Organizations</i>			
Students				
36	<i>A. International Students</i>			
37	<i>B. Sexual Harassment Prevention-Student Focus</i>			
38	<i>C. Protection of Information</i>			
General				
39	<i>Policies and Procedures</i>			
	Totals	36	3	0
		92%	8%	0%

**OBSERVATIONS
WITH
MANAGEMENT'S
RESPONSES**

**CASSH Dean's Office
UWF 16-17_003**

OBSERVATION #1 WITH MANAGEMENT RESPONSE

What We Found	The Dean has an IT plan to fund \$300/faculty member/year for technology as well as other strategic IT initiatives; however, the strategic vision has not been formalized.
Why the Issue is Important	Strategic goals for the college are established and often encompass IT aspects to achieve these goals. Assessing the technology needs, addressing identified gaps, and communicating the IT strategic goals are critical to keeping the college faculty informed. Additionally, it is important in today's environment to keep current our technology to ensure our students are well-trained as they graduate.
What is Causing the Issue	This facet of the strategic planning has been articulated by the Dean and is understood; however, it had not been formally communicated. The benefit of formalizing these plans had not been realized.
What is Expected or Required	■ Identify and communicate some short-term and long-term IT goals for CASSH.
What We Suggest	Document and communicate the IT strategic goals for CASSH.
Responsible Auditee	Dr. Steve Brown, Dean
What Action Management Commits To Do	A formal Strategic Plan for maintaining, improving, and implementing Information Systems and Instructional Technology will be developed within the college. The plan will detail goals and strategies with regard to the following areas: equipment acquisition and maintenance; appropriate training of academic and staff personnel; security of electronic equipment and data; responsible use of information resources; interaction and coordination with institutional IT policies and procedures; specific definition of roles of college IT personnel; and responsibilities of the CASSH IT office. This Strategic Plan will be discussed and approved by Department Chairs within the college, and ultimately approved by the Dean.
Implementation Date	The CASSH IT Strategic Plan will be developed and approved during the fall and spring terms, 2016-17, and will become effective as of July 1, 2017 .

OBSERVATION #2 WITH MANAGEMENT RESPONSE

What We Found	Report of Outside Activity/Conflict of Interest forms had been filed by 15 faculty members (totaling 21 reports filed). However, 12 (57%) were filed after the outside work began.
Why the Issue is Important	<p>Certain outside activities, whether compensated or uncompensated, and financial interests may provide a basis for a conflict of interest. Accordingly, per UWF Policy AC-11.02-05/13 "Conflicts of Interest Policy" these activities must be reported and approved <i>prior</i> to engaging in the activity.</p> <p>UWF personnel are hired for their specialized expertise and the University encourages employees to engage in appropriate outside relationships to provide for professional and personal development.</p>
What is Causing the Issue	Limited understanding that the forms needed to be filed in the first place. Also, employees were unaware that "ongoing" is not an acceptable timeframe, as annual reporting of outside activities must occur.
What is Expected or Required	<ul style="list-style-type: none"> ● Filing of the Report of Outside Activity/Conflict of Interest forms be filed <i>prior</i> to the employee beginning the outside activity.
What We Suggest	Development of procedures to notify and collect the Report of Outside Activities early in the Fall Semester, as well as procedures to remind staff at the onset of Spring Semester.
Responsible Auditee	Dr. Steve Brown, CASSH Dean
What Action Management Commits To Do	The CASSH Sr. Administrative Specialist will send reminders to faculty and staff regarding submission of Conflict of Interest/Outside Activity/Textbook forms. Reminders will be sent two weeks prior to the last day of each semester and two weeks prior to the due dates for non-instructional and instructional personnel. Instructional personnel will have three options for fall submission: They may submit the form prior to the end of the spring semester; they may submit the form during their summer break; they may submit the form on August 8. In any case, the forms must be routed before August 9 th . Department Chairs will monitor and insure compliance with the policy. The Sr. Administrative Specialist will maintain a Google Sheet accessible by Department Chairs detailing those faculty members who have and who have not met the requirement. Until Dynamic Forms are available to the office administrators, faculty

members will be asked to link to a Google form and indicate whether they have submitted a Dynamic Form for Conflict of Interest/Outside Activity/Textbook.

Implementation Date

Informational materials will be developed and distributed no later than December 1, 2016. The policy will become effective with the beginning of the **Spring term, 2017**, and faculty members will be required to meet the expectation as of that term.

UWF Board of Trustees Meeting
Audit and Operations Committee
November 18, 2016

Issue: Annual Certification of UWF Business Enterprise, Inc. External Audit:
Financial Statement Audit of Direct Support Organization

Proposed action: Acceptance

Background information:

Pursuant to Florida Statute 1004.28¹ and BOG Regulation BOG-9.011(4)², organizations affiliated with or through the University of West Florida (aka Direct Support Organizations) must be audited annually and presented to the University of West Florida Board of Trustees. As required in the Bylaws of UWF Business Enterprises Inc. (“BEI”), the financial statements of BEI have been audited by independent certified public accountants for the fiscal year ending June 30, 2016. This is the fourth year of operating activity for BEI.

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

Master Management Agreement 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

BEI received a clean unqualified opinion. The audit was performed in accordance with auditing standards generally accepted in the United States and in accordance to Generally Accepted Government Auditing Standards (GAGAS). The audit report did not identify any material

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

² 9.011(4) “Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review.”

weaknesses in the internal control system. Additionally, no instances of non-compliance were reported.

Financial Highlights:

- The signing incentives paid to BEI from the dining services vendor and the bookstore services vendor and all capital improvements made under the prior dining services agreement and all capital investments to be made under the amended dining services agreement are recorded as unearned income and amortized to revenue over the remaining life of the respective amended agreements.
- Certain capital improvements made by the dining services and bookstore services vendors under these agreements with BEI will become the property of the University.
- To recognize the transfer of ownership of those assets to the University, BEI reports donations to the University.
- BEI reported a donation to the University in the amount of \$670,798 in FY16 for the Nautilus Market renovation.
- BEI received commissions based on sales from the dining services and bookstore services vendors in FY16.
- Of the \$1 million advance commission paid to BEI from the dining services vendor in June 2012, \$374,752 remained unearned as of June 30, 2016.
- The East Campus/Argonaut Village facility construction has been completed with the build-out for tenants to be completed in the fall of 2016. As part of the capital improvements under the two (2) amendments to the dining and event services agreement, the vendor has invested \$3.85 million through the year ended June 30, 2016 to design and construct over 13,100 gross square feet of mixed use commercial and restaurant buildings at the east entrance of campus. Several retail units have opened during the last year. Only the anchor location is currently unassigned.
- BEI earned rental income from the new East Campus/Argonaut Village facility, pro-rated based on the subtenant leases executed during the first year of operations. The gross revenues from the Starbucks located at the new facility are factored into the commissions BEI receives from its dining services vendor.
- BEI contributed \$600,000 in FY16 to the construction costs of an 85 space parking lot at the East Campus/Argonaut Village.
- BEI reclassified development costs for various projects incurred in FY13 and FY14 in the total amount of \$84,418 from construction in progress to expense in FY16.

Recommendation: ___-Acceptance

Implementation Plan: None

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

Supporting documents:

- Audited Financial Statements for UWF Business Enterprises, Inc. for fiscal year ending June 30, 2016
- Audit Communication Letter UWF BEI June 30, 2016

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

Presenter: Betsy Bowers, Associate Vice President

UWF BUSINESS ENTERPRISES, INC.
**(A COMPONENT UNIT OF THE UNIVERSITY OF
WEST FLORIDA)**
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of UWF Business Enterprises, Inc. (BEI), (a component unit of the University of West Florida), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which comprise BEI's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of BEI as of June 30, 2016 and 2015, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules I to IX are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors
UWF Business Enterprises, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, on our consideration of BEI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BEI's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Orlando, Florida
September 30, 2016

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016, 2015, AND 2014

This section of UWF Business Enterprises, Inc.'s ("BEI") annual financial report presents our discussion and analysis of the financial performance of BEI for the fiscal year ended June 30, 2016, 2015, and 2014. This discussion has been prepared by management.

Because the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the Basic Financial Statements found on pages 12 through 39.

Reporting Entity

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

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

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

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

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

The University appointed Dr. James Barnett to serve as interim CEO of BEI from December 6, 2012 through August 31, 2015. On September 1, 2015, Dr. Steven D. Cunningham, Vice President for Finance and Administration became the CEO of BEI.

Overview of the Financial Statements

The basic financial statements presented herein include all activities of BEI, as prescribed by statements of the Government Accounting Standards Board ("GASB"). BEI is a component unit of the University, from inception on October 18, 2011 through period end June 30, 2016.

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

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2016, 2015, AND 2014

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

The statement of cash flows presents information about the cash receipts and cash payments of BEI from July 01, 2014 through June 30, 2015 and July 01, 2015 through June 30, 2016. It provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on BEI's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

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

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

Summary of Financial Condition

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

BEI'S CONDENSED STATEMENTS OF NET POSITION

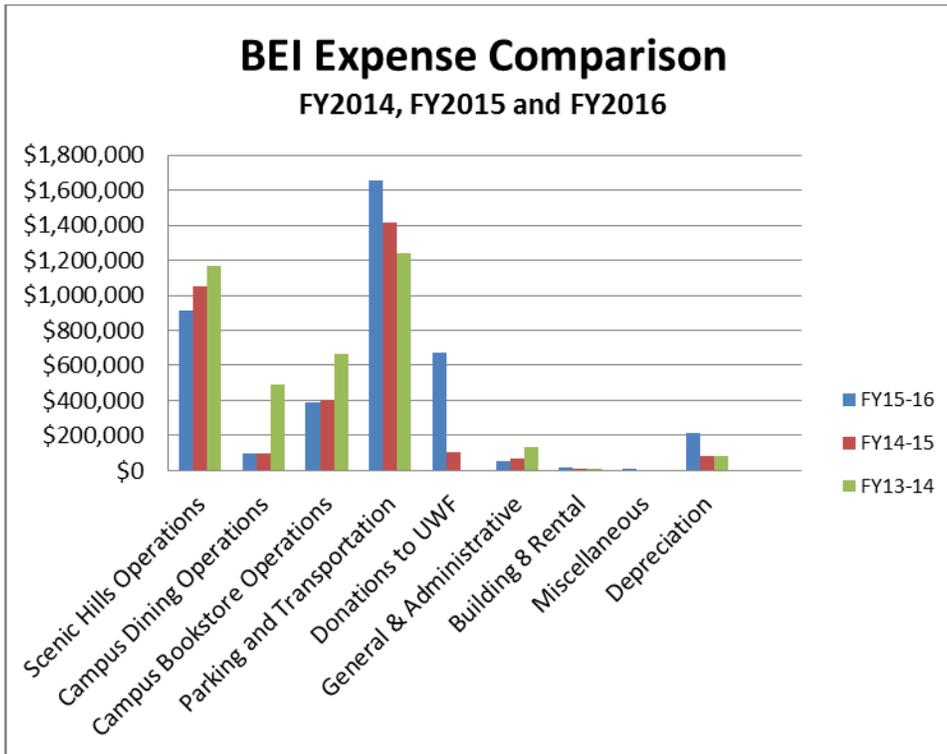
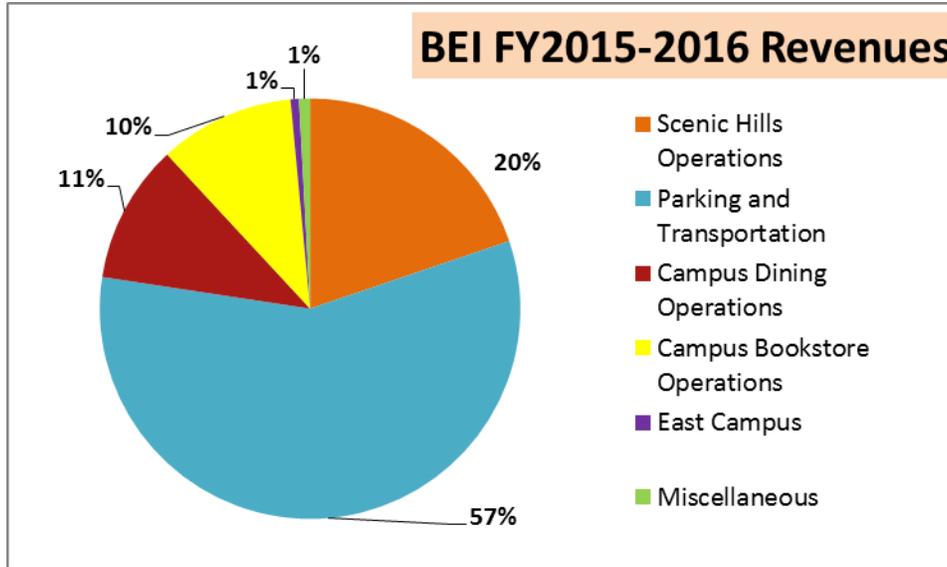
	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Total Assets, Excluding Capital Assets	\$ 2,755,061	\$ 2,695,266	\$ 1,853,148
Capital Assets, Net	<u>6,630,409</u>	<u>7,600,712</u>	<u>2,928,421</u>
Total Assets	<u>\$ 9,385,470</u>	<u>\$ 10,295,978</u>	<u>\$ 4,781,569</u>
LIABILITIES			
Current Liabilities	\$ 655,196	\$ 1,293,989	\$ 1,542,149
Long Term Liabilities	<u>7,075,016</u>	<u>7,596,831</u>	<u>2,781,011</u>
Total Liabilities	<u>7,730,212</u>	<u>8,890,820</u>	<u>4,323,160</u>
NET POSITION			
Net Investment in Capital Assets	1,981,807	2,069,558	1,597,385
Unrestricted Deficit	<u>(326,549)</u>	<u>(664,400)</u>	<u>(1,138,976)</u>
Total Net Position	<u>1,655,258</u>	<u>1,405,158</u>	<u>458,409</u>
Total Liabilities and Net Position	<u>\$ 9,385,470</u>	<u>\$ 10,295,978</u>	<u>\$ 4,781,569</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2016, 2015, AND 2014

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUES			
Golf Course Sales	\$ 870,606	\$ 984,057	\$ 948,517
Food Service Commissions	117,044	117,833	440,720
Bookstore Commissions	397,899	409,197	430,424
Revenues from Service and Management			
Arrangement Income	413,350	221,182	190,041
Parking and Transportation	2,535,181	2,567,007	2,558,700
Building Eight Rent	20,310	20,310	20,310
Argonaut Village Rent	28,071	-	-
Digital Sign	4,635	892	-
Contributions In-Kind	5,756	6,794	7,160
Miscellaneous	6,709	6,013	6,000
Total Revenues	<u>4,399,561</u>	<u>4,333,285</u>	<u>4,601,872</u>
EXPENSES			
Golf Course Operations	875,787	997,174	1,107,186
Golf Course Pro Shop Cost of Sales	38,309	51,676	63,439
Food Service Management	95,000	95,789	490,363
Bookstore Management	388,833	402,449	668,953
Parking and Transportation Service			
(Inclusive of Bad Debt)	1,658,365	1,418,908	1,237,236
General and Administrative	56,661	68,028	133,985
Donations to the University of West Florida	670,798	104,202	-
Building Eight	15,064	8,651	9,596
Digital Sign	3,002	-	-
Depreciation	215,087	82,949	81,220
Total Expenses	<u>4,016,906</u>	<u>3,229,826</u>	<u>3,791,978</u>
NONOPERATING EXPENSES	<u>(132,555)</u>	<u>(156,710)</u>	<u>(30,157)</u>
Change in Net Position	250,100	946,749	779,737
Net Position - July 1	<u>1,405,158</u>	<u>458,409</u>	<u>(321,328)</u>
NET POSITION - JUNE 30	<u>\$ 1,655,258</u>	<u>\$ 1,405,158</u>	<u>\$ 458,409</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2016, 2015, AND 2014



UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2016, 2015, AND 2014

Financial Highlights

East Campus/Argonaut Village became a new source of revenue for BEI in FY15-16. BEI earned rental income from the new facility, pro-rated based on the subtenant leases executed during the first year of operations, and the gross revenues from the Starbucks located at the new facility are factored into the commissions BEI receives from its dining services vendor. BEI received a small amount of income in FY15-16 and FY14-15 from mobile laundry and dry cleaning services and digital signs, including the monument sign at the East Campus/Argonaut Village. Scenic Hills Country Club (SHCC) costs continued to decline in FY15-16 compared to FY14-15 and FY13-14 as cost savings were realized in the areas of course maintenance and administrative expenses. A reduction in Bookstore commissions in FY15-16 resulted in a commensurate reduction in the amounts paid for Bookstore management, while the amount BEI pays for management of Parking and Transportation Services payments increased in FY15-16 due to increased administrative and operating costs. BEI reclassified the East Campus/Argonaut Village facility from construction in progress to capital assets and began depreciating the asset as of July 1, 2015. The capital investment made by the dining services vendor for the Nautilus Market renovation was donated by BEI to the University in FY15-16.

Scenic Hills Country Club

SHCC was purchased by BEI with \$1.1 million cash on hand and a \$1.1 million bank loan at 3.95% interest, amortized over 20 years with a balloon payment due in June 2015. The bank loan was renegotiated June 30, 2015 and is now a five year \$997,206 bank loan at 4.75% interest, amortized over 17 years with a balloon payment due June 30, 2020. The 2015 appraised value of SHCC was \$2.2 million. The \$1.1 million cash spent to purchase SHCC was from a signing incentive paid to BEI from a vendor as part of the dining and event services agreement. In June 2016 and 2015, Scenic Hills Country Club was awarded Pensacola News Journal's Best of the Bay readers' choice award for best golf club.

Scenic Hills Country Club Key Facts	FY 2015-16	FY 2014-15	FY 2013-14
UWF Events/Meetings held	13	15	25
UWF Fundraisers held	2	5	5
Capital Investments	\$0	\$0	\$20,753
Memberships – Golf	160	108	102
Memberships - Social	17	24	29
Member Events/Meetings Held	23	25	27
Rain (Inclement Weather) Days	104	85	98

During FY15-16 SHCC simplified the membership structure and lowered membership rates. The membership base increased from 132 members as of June 30, 2015 to 177 members as of June 30, 2016.

To increase efficiency, SHCC staff took several measures during FY15-16, including non-replacement of key personnel such as the Assistant Golf Professional position and the Sales Director position. This

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action, along with reduced hours for other staff members, resulted in approximately \$42,500 savings in staff leasing expenses in FY15-16. The elimination of the Brinks Armored Transportation Services agreement in FY15-16 will result in additional estimated annual savings of \$4,200.

Campus Bookstore and Dining

The dining and event services agreement between BEI and the dining services vendor, originally executed in July 2013, was amended for the second time in FY14-15. Both amendments to the original agreement have provided clarification on capital investments to be made at the East Campus/Argonaut Village restaurant parcel and on the manner in which BEI will be compensated with regard to restaurants housed in the East Campus/Argonaut Village. The signing incentive received and all capital improvements made under the prior agreement along with all capital investment to be made under the amended agreement are recorded as unearned income and amortized to revenue over the remaining life of the amended agreement.

In June 2015, a Development Agreement and a Lease Agreement were executed between BEI and the dining services vendor in connection with the East Campus/Argonaut Village. The Development Agreement outlined the scope of work to be performed at the East Campus under the agreement and distinguished between work accomplished for the University and work accomplished for BEI. The Lease Agreement identified BEI as landlord and the dining services vendor as the tenant. The term of the Lease Agreement coincides with the term of the Main Campus Dining Agreement between the dining services vendor and BEI, currently extended until 2035. Under the Lease Agreement, BEI is to receive a \$100,000 lease payment in July of each year, with a pro rata calculation for the first year of operation. East Campus/Argonaut Village construction of the building shell has been completed and three (3) retail units are in operation. Two (2) additional retail units are scheduled to open in early FY16-17.

Certain capital investments made by the dining services and bookstore services vendors under the respective agreements with BEI ultimately become the property of the University. In recognition of this transfer of capital investments completed and placed into service, BEI's Statement of Revenues, Expenses, and Changes in Net Position reported a donation from BEI to the University of \$670,798 and \$104,202 for the years ended June 30, 2016 and 2015, respectively. There were no capital investments made by vendors completed and placed into service with title transfer to the University during FY13-14. Capital investments made by the dining services vendor in FY14-15 included \$50,000 for furniture renewal at SHCC.

BEI receives commissions based on sales from both the dining services and bookstore services vendors for campus operations. Of the \$1 million advance commission paid to BEI in June 2012 under the original dining and event services agreement, \$374,752, \$396,796, and \$418,840 remained unearned as of June 30, 2016, 2015, and 2014, respectively.

The UWF Bookstore continues to offer students a variety of savings opportunities including purchasing used books, the rental of new and used books, and the purchase and rental of digital books. All offer savings over the purchase of new course materials.

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Programs offered to students include the ability to purchase course materials at the time of registration, a price match promise, and a financial aid deferment which allows students to make use of anticipated excess financial aid prior to aid being dispersed.

The Bookstore continues its partnership with UWF Intercollegiate Athletics and will be the official provider of UWF emblematic merchandise at the home football games held at the Blue Wahoos stadium.

Parking and Transportation

On June 21, 2013, the University President granted approval for BEI to “accept and administer Parking and Transportation Services” for the University. BEI contracts with the University for continued seamless daily operations. Long-term planning, capital investment, and construction of new parking and transportation facilities are handled by BEI.

A crosswalk improvement project to add rumble strips and speed bumps to all cross walks on campus was implemented in FY14-15. The second phase of the project, which includes new signage, improved lighting, and curb cuts, was implemented in FY15-16. A phase 3 will follow.

Plans began in FY15-16 for a new 75 space parking lot to be designated as Lot N. Located adjacent to the Center for Fine and Performing Arts, Lot N will connect with existing Lot M.

An 85 space parking lot was added at the East Campus/Argonaut Village. The parking lot was completed in early FY15-16. BEI contributed \$600,000 to the construction costs in FY15-16.

The bus pass program continues to provide a valuable service to students with passes being distributed from both the Parking and Transportation Services Office and the Business and Auxiliary Services Office. 9,118 bus passes were distributed in FY15-16. Encouraging students to use public transportation helps to reduce the number of single occupancy vehicles on campus and to improve parking efficiency.

Two (2) new non-expiring permits were created and distributed in FY15-16--one (1) for retirees and one (1) for alumni. The non-expiring permits are more efficient as they do not need to be replaced and are more responsive to the needs of the University's retirees and alumni.

As a result of a parking rate stabilization initiative, parking rates will not increase in FY16-17, providing a cost savings to the University Community.

Investments

The East Campus/Argonaut Village facility construction has been completed with the expected build-out for the majority of tenants to be completed in early fall of 2016. As part of the capital improvements required under the two (2) amendments to the dining and event services agreement executed in July 2013, the dining services vendor has invested \$3.85 million to date to develop and construct over 13,100 gross square feet of mixed use commercial and restaurant buildings at the east entrance of campus. The Lease Agreement has been executed between BEI and the dining services vendor to

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JUNE 30, 2016, 2015, AND 2014

sub-lease the space to various businesses for operation. The vendor shall act as Property Manager on behalf of BEI, the Landlord, and will be responsible for sub-leasing and managing both the property and the commercial tenants. The first tenant began operations in June 2015 and two (2) other tenants have opened since. One (1) tenant is currently in the final stages of build-out construction and another tenant is nearing completion of the sublease process. Only the anchor location is currently unassigned.

Other Items

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

BEI has continued to focus strategically on the East Campus/Argonaut Village development and SHCC. The hotel and conference center, townhouse and zero-lot line leased residences, electric vehicle pilot program, and west campus retirement village projects remain on hold. A total of \$78,218 spent to date toward the development of these projects no longer provide an ongoing benefit and were reclassified in FY15-16.

On May 4, 2015, BEI held its first strategic planning session to help refine and focus future activities of BEI. As a result of this session, a workgroup was charged to review and evaluate options for the future of SHCC. Following the recommendations of the workgroup, BEI and University staff undertook a competitive selection process in FY 15-16 to identify a long-term partner for the lease or other long-term management and operation of SHCC. The planning process for the long-term operations strategy for SHCC is still underway.

Requests for Information

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

UWF Business Enterprises, Inc.
11000 University Parkway
Building 10 Room 118
Pensacola, FL 32514

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash	\$ 220,192	\$ 741,270
Accounts Receivable, Net	158,921	219,138
Due from the University of West Florida, Net	2,348,494	1,676,389
Inventory	14,914	51,121
Prepaid Expenses	12,540	7,348
Total Current Assets	2,755,061	2,695,266
CAPITAL ASSETS		
Total Assets	6,630,409	7,600,712
	\$ 9,385,470	\$ 10,295,978
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 83,101	\$ 98,172
Accrued Liabilities	93,047	668,017
Note Payable - Current Portion	40,781	38,743
Capital Lease Obligation - Current Portion	4,790	4,790
Deferred Membership Dues - Current Portion	-	48,874
Unearned Commission Income - Current Portion	22,044	22,044
Unearned Service and Management Arrangement Income - Current Portion	411,433	413,349
Total Current Liabilities	655,196	1,293,989
LONG-TERM LIABILITIES		
Note Payable - Less Current Portion	917,682	958,463
Capital Lease Obligation - Less Current Portion	4,445	9,235
Unearned Commission Income - Less Current Portion	352,708	374,752
Unearned Service and Management Arrangement Income - Less Current Portion	5,800,181	6,254,381
Total Long-Term Liabilities	7,075,016	7,596,831
Total Liabilities	7,730,212	8,890,820
NET POSITION		
Net Investment in Capital Assets	1,981,807	2,069,558
Unrestricted Deficit	(326,549)	(664,400)
Total Net Position	1,655,258	1,405,158
Total Liabilities and Net Position	\$ 9,385,470	\$ 10,295,978

See accompanying Notes to Financial Statements.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
REVENUES		
Golf Course Sales	\$ 870,606	\$ 984,057
Food Service Commissions	117,044	117,833
Bookstore Commissions	397,899	409,197
Revenues from Service and Management Arrangements	413,350	221,182
Parking and Transportation	2,535,181	2,567,007
Building Eight Rent	20,310	20,310
Argonaut Village Rent	28,071	-
Digital Sign	4,635	892
Contributions and In-Kind	5,756	6,794
Miscellaneous Income	6,709	6,013
Total Revenues	4,399,561	4,333,285
EXPENSES		
Golf Course Operations	875,787	997,174
Golf Course Pro Shop Cost of Sales	38,309	51,676
Food Service Management	95,000	95,789
Bookstore Management	388,833	402,449
Parking and Transportation Service	1,658,365	1,418,908
General and Administrative	56,661	68,028
Donations to the University of West Florida	670,798	104,202
Building Eight	15,064	8,651
Digital Sign	3,002	-
Depreciation	215,087	82,949
Total Expenses	4,016,906	3,229,826
NET OPERATING INCOME	382,655	1,103,459
NONOPERATING REVENUES (EXPENSES)		
Write off of Construction in Progress	(84,418)	(111,099)
Gain (Loss) on Disposal of Capital Assets	465	(3,943)
Interest Expense	(48,602)	(41,668)
Total Nonoperating Revenues (Expenses), Net	(132,555)	(156,710)
CHANGE IN NET POSITION	250,100	946,749
Net Position - July 1	1,405,158	458,409
NET POSITION - JUNE 30	\$ 1,655,258	\$ 1,405,158

See accompanying Notes to Financial Statements.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Others	\$ 3,148,469	\$ 2,207,623
Cash Paid to Leased Employees for Services	(440,074)	(482,610)
Cash Paid to Suppliers and Others	(3,137,803)	(2,568,617)
Net Cash Used by Operating Activities	(429,408)	(843,604)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Capital Debt	(38,743)	(36,464)
Interest Paid on Capital Debt	(48,602)	(41,668)
Repayments of Obligations Under Capital Leases	(4,790)	(4,790)
Proceeds from Sale of Capital Assets	465	516
Net Cash Used by Capital and Related Financing Activities	(91,670)	(82,406)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(521,078)	(926,010)
Cash and Cash Equivalents - Beginning of Year	741,270	1,667,280
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 220,192	\$ 741,270
RECONCILIATION OF CHANGE IN NET OPERATING INCOME PROVIDED BY OPERATIONS		
Net Operating Income	\$ 382,655	\$ 1,103,459
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	215,087	82,949
Noncash loan costs	-	8,471
Bad Debt Provision	134,463	89,400
Donation of Assets	670,798	104,202
Changes in:		
Accounts Receivable	(74,246)	(178,267)
Due to/from the University of West Florida	(672,105)	(1,729,362)
Inventory	36,207	71
Prepaid Expenses	(5,192)	(2,943)
Accounts Payable	(15,071)	(27,286)
Accrued Liabilities	(574,970)	25,673
Unearned Commission Income	(22,044)	(22,044)
Deferred Membership Dues	(48,874)	(76,746)
Unearned Service and Management Arrangement Income	(456,116)	(221,181)
Net Cash Provided by Operating Activities	\$ (429,408)	\$ (843,604)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Construction in Process Acquired from Service and Management Arrangements	\$ -	\$ 4,975,000

See accompanying Notes to Financial Statements.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

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

BEI owns an office building located on UWF's campus and owns and operates Scenic Hills Country Club (SHCC) effective July 1, 2012. Both are used to support the University's educational activities. BEI has also entered into contracts which will provide dining, bookstore, parking and transportation, and Laundry/dry-cleaning services, and any other assigned functions to University students and personnel.

Basis of Presentation and Accounting

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

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

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

Use of Estimates

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

UWF BUSINESS ENTERPRISES, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits; however BEI has not experienced any losses in these accounts.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated net of an allowance for doubtful accounts. BEI estimates for doubtful accounts based on an analysis of certain customers taking into consideration the age of the past due accounts and an assessment of the customer's ability to pay. Accounts are considered past due when the payments due are not made within certain designated timeframes.

A summary of the changes in the allowance for doubtful accounts follows:

	2016	2015
Beginning Balance	\$ 80,574	\$ 93,112
Current Year Provision	134,463	89,400
Write Offs of Accounts	(22,293)	(101,938)
Ending Balance	<u>\$ 192,744</u>	<u>\$ 80,574</u>

Due from the University of West Florida, Net

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

Inventory

Inventory consists of merchandise held for resale and maintenance inventory held at SHCC. Inventory is recorded at the lower of cost or market value. The first-in, first-out (FIFO) and average cost cost-flow assumption methods are utilized.

Capital Assets

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Buildings	40 Years
Golf Course Improvements	20 Years
Parking Lot	20 Years
Maintenance Equipment	7 - 10 Years
Furniture and Fixtures	7 Years
Office Equipment	5 Years
Software	5 Years
Exterior Sign	7 Years

Unearned Commission Income

BEI received \$1,000,000 in fiscal year 2012 in unearned advance commissions in connection with a contract with a food service provider as discussed in Note 7. The unearned balance is being amortized on a straight line basis from July 2013 through June 2033.

Unearned Service and Management Arrangement Income

BEI received \$1.1 million as a signing incentive in fiscal year 2012 in connection with a dining services contract with the same food service vendor, which is being amortized on a straight line basis through June 2033. Effective October 2012, BEI also assumed the unamortized balance of the vendor's investment under the prior dining services contract between the University and the vendor, which is being amortized on a straight line basis through June 2023. Capital improvements made and to be made by the vendor under the contract are recorded as unearned income and are amortized on a straight line basis from October 2012, or date of completion in the case of capital improvements, through June 2035.

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

Net Position

Equity is classified as net position and is further classified into the following components:

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

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

BEI was established as a direct support organization of the University and has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

BEI evaluates its tax positions for uncertainties on a regular basis and has determined it has no material uncertain tax positions as of June 30, 2016 and 2015. BEI recognizes accrued interest and penalties, if any, associated with uncertain tax positions in "expenses" in the accompanying financial statements.

As of the date the financial statements were available for issue, BEI is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with BEI's SHCC, Dining Services, Bookstore Services, and Parking and Transportation Services. Operating revenues are from golf course sales, commissions, parking and transportation fees, service and management arrangements, contributions in kind and rental operations. Operating expenses are primarily from golf course operations, food and bookstore management, management of parking and transportation services, management of rental facilities, donations to the University, general and administrative, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Subsequent Events

In preparing these financial statements, BEI has evaluated events and transactions for potential recognition or disclosure through September 30, 2016, the date the financial statements were available to be issued.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2016:

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 393,162	\$ -	\$ -	\$ -	\$ 393,162
Parking Lot	-	-	-	600,000	600,000
Buildings	1,701,870	-	-	3,850,000	5,551,870
Golf Course Improvements	344,808	-	-	-	344,808
Maintenance Equipment	23,014	-	-	-	23,014
Furniture and Fixtures	131,316	-	-	-	131,316
Office Equipment	6,606	-	-	-	6,606
Exterior Sign	11,392	-	-	-	11,392
Software, under Capital Lease	20,753	-	-	-	20,753
Construction in Progress	5,205,216	-	(755,216)	(4,450,000)	-
	<u>7,838,137</u>	<u>-</u>	<u>(755,216)</u>	<u>-</u>	<u>7,082,921</u>
Less: Accumulated Depreciation	(237,425)	(215,087)	-	-	(452,512)
Total	<u>\$ 7,600,712</u>	<u>\$ (215,087)</u>	<u>\$ (755,216)</u>	<u>\$ -</u>	<u>\$ 6,630,409</u>

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

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 393,162	\$ -	\$ -	\$ -	\$ 393,162
Buildings	1,701,870	-	-	-	1,701,870
Golf Course Improvements	344,808	-	-	-	344,808
Maintenance Equipment	2,239	-	-	20,775	23,014
Maintenance Equipment, under Capital Lease	20,775	-	-	(20,775)	-
Furniture and Fixtures	88,132	-	(6,816)	50,000	131,316
Office Equipment	8,013	-	(1,407)	-	6,606
Exterior Sign	11,392	-	-	-	11,392
Software, under Capital Lease	20,753	-	-	-	20,753
Construction in Progress	495,517	4,975,000	(215,301)	(50,000)	5,205,216
	<u>3,086,661</u>	<u>4,975,000</u>	<u>(223,524)</u>	<u>-</u>	<u>7,838,137</u>
Less: Accumulated Depreciation	(158,240)	(82,949)	3,764	-	(237,425)
Total	<u>\$ 2,928,421</u>	<u>\$ 4,892,051</u>	<u>\$ (219,760)</u>	<u>\$ -</u>	<u>\$ 7,600,712</u>

Depreciation expense amounted to \$215,087 and \$82,949 for the years ended June 30, 2016 and 2015, respectively, and includes amortization expense of \$4,151 for each year for the above equipment under capital leases.

During the years ended June 30, 2016 and 2015, BEI donated Capital Investments in the amount of \$670,798 and \$104,202, respectively, to the University of West Florida.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows at June 30, 2016:

	2016				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Note Payable	\$ 997,206	\$ -	\$ (38,743)	\$ 958,463	\$ 40,781
Capital Lease Obligation	14,025	-	(4,790)	9,235	4,790
Deferred Membership Dues	48,874	-	(48,874)	-	-
Unearned Commission Income	396,796	-	(22,044)	374,752	22,044
Unearned Service and Management Arrangement Income	6,667,730	-	(456,116)	6,211,614	411,433
	<u>\$ 8,124,631</u>	<u>\$ -</u>	<u>\$ (570,567)</u>	<u>\$ 7,554,064</u>	<u>\$ 479,048</u>

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

	2015				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Note Payable	\$ 1,025,199	\$ 8,471	\$ (36,464)	\$ 997,206	\$ 38,743
Capital Lease Obligation	18,815	-	(4,790)	14,025	4,790
Deferred Membership Dues	125,620	-	(76,746)	48,874	48,874
Unearned Commission Income	418,840	-	(22,044)	396,796	22,044
Unearned Service and Management Arrangement Income	2,513,911	4,375,001	(221,182)	6,667,730	413,349
	<u>\$ 4,102,385</u>	<u>\$ 4,383,472</u>	<u>\$ (361,226)</u>	<u>\$ 8,124,631</u>	<u>\$ 527,800</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 LONG-TERM LIABILITIES (CONTINUED)

The note payable consisted of a bank loan with an original principal balance of \$1.1 million at 3.95% interest, amortized over 20 years with a three year balloon payment. The monthly payment was \$6,670 and was secured by the real property of SHCC. This note was refinanced on June 30, 2015, with a new principal balance of \$997,206 at 4.75% interest, amortized over 17 years with a five year balloon payment. The note payable requires monthly payments of \$7,171 and is secured by the real property of SHCC. Aggregate future principal and interest payments under the note payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 40,781	\$ 45,269	\$ 86,050
2018	42,789	43,261	86,050
2019	44,896	41,154	86,050
2020	829,997	39,050	869,047
Total	<u>\$ 958,463</u>	<u>\$ 168,734</u>	<u>\$ 1,127,197</u>

BEI is party to a capital lease agreement for software which expires in 2018. As of June 30, 2016 and 2015, the cost of the equipment under capital lease was \$20,753 and related accumulated amortization was \$10,722 and \$6,572, respectively.

The following is a schedule of future minimum lease payments pursuant to the capital lease together with the present value of the net minimum lease payments.

<u>Year Ending June 30,</u>	
2017	\$ 6,067
2018	5,651
Total Lease Payments	<u>11,718</u>
Less: Amount Representing Interest	<u>(2,483)</u>
Present Value of Minimum Lease Payments	9,235
Less: Current Maturity	<u>(4,790)</u>
Net Noncurrent Portion	<u>\$ 4,445</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 OPERATING LEASES

The Company is party to noncancellable operating lease agreements for certain restaurant equipment, turf equipment and golf course carts. Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>		
2017	\$	58,663
2018		24,466
2019		24,466
2020		22,428
Total	<u>\$</u>	<u>130,023</u>

Total rent expense of \$104,202 and \$82,124 for the years ended June 30, 2016 and 2015, respectively, includes amounts related to the above lease agreements and additional amounts for short-term equipment rentals.

NOTE 5 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME

As discussed in Note 7, BEI received \$1.1 million as a signing incentive during fiscal year 2012 in connection with a dining services contract with a food service provider. Effective October 2012, BEI also assumed the unamortized balance of the vendor's investment under the prior dining services contract between the University and the vendor. During fiscal year 2014, an additional \$300,000 was due for certain capital investments as stipulated in the contract signed with the food service provider. During fiscal year 2015, an additional \$4,375,000 was invested by the vendor as stipulated in the contract signed with the food service provider.

The payments received and capital improvements made and to be made by the food service provider under the contract are recorded as unearned income and are amortized on a straight line basis from October 2012, or date of completion in the case of capital improvements, through June 2033.

As discussed in Note 8, BEI received as part of a service and management arrangement an initial contribution of \$600,000 from the vendor for the operation of the bookstore. This unearned income is being amortized on a straight line basis from October 2012 through November 2022.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME (CONTINUED)

Unearned service and management arrangement income consisted of the following June 30:

	<u>2016</u>	<u>2015</u>
Unamortized Unearned Income from Dining Services Agreement - Note 7	\$ 5,836,614	\$ 6,232,730
Unamortized Unearned Income from Bookstore Services Agreement - Note 8	<u>375,000</u>	<u>435,000</u>
Total Unearned Income from Service and Management Arrangements	<u>\$ 6,211,614</u>	<u>\$ 6,667,730</u>

NOTE 6 MANAGEMENT AGREEMENT WITH UNIVERSITY OF WEST FLORIDA

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

NOTE 7 ASSIGNMENT OF DINING SERVICES

On June 11, 2012, the President of the University granted approval, under the Agreement, for BEI to accept and administer dining services for the University. BEI entered into an agreement in June 2012 with a food service provider who will provide all retail and catering food services on the University's main campus, SHCC and concession services at athletic, recreational and special events at the University's main campus.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 ASSIGNMENT OF DINING SERVICES (CONTINUED)

The contract with the food service provider became effective July 1, 2013, and extends through June 30, 2033. The contract can be extended for one year periods upon mutual agreement. Either party may terminate the amended agreement during the contract period due to financial hardship and with proper notice. The amount of unamortized unearned income would become due to the food service provider within 180 days of the terminated agreement, unless this is renegotiated in a new agreement. The contract was amended in December 2014 to extend the original contract length through June 30, 2035.

In fiscal year 2012, the food service provider paid a signing incentive of \$1.1 million to BEI under the original agreement. Under the agreement, as amended, the food service provider has also agreed to purchase \$7,964,850 of capital improvements on behalf of BEI in exchange for contract terms including the exclusive right to provide services. The \$1.1 million signing incentive has been recorded as unearned income and is being amortized to revenue on a straight line basis from October 2012 through June 2033. Capital improvements made under the prior and amended contract are recorded as completed, and corresponding unearned income is recognized and amortized over the remaining life of the contract. The amortization period for capital improvements was changed from June 2032 to June 2035 in accordance with the extended term of the amended agreement. Under the terms of the amended contract the University holds title to certain assets funded through the capital investment; therefore the transfer of those assets to the University by BEI will be recognized as donations to the University.

Included in the food service provider total capital investment is the unamortized balance of the food service provider's investment under the contract between the University and the food service provider in existence immediately prior to the effective date of the initial agreement with BEI. BEI reported this amount as donations to the University during fiscal year 2013 and unearned income to be amortized on a straight line basis over the period October 2012 to June 2023 per the amended agreement.

During the years ended June 30, 2016 and 2015, \$670,798 and \$104,202, respectively, of the food service provider investments were donated to the University in accordance with the agreement. The unearned income related to those investments will be amortized on a straight line basis over the period December 2013 through June 2033 per the amended agreement.

The food service provider constructed the East Campus Restaurant Development Project (Argonaut Village) to provide various retail establishments. Effective July 1, 2015, BEI entered into a lease agreement with the food service provider whereby the food service provider subleases Argonaut Village for base rent of \$100,000 paid annually, inclusive of sales tax, with certain reductions permitted in the initial year as described in the agreement. Rental income for the year ended June 30, 2016, was \$28,071.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 ASSIGNMENT OF DINING SERVICES (CONTINUED)

As of June 30, 2016 and 2015, BEI has recognized \$353,350 and \$161,182, respectively in earned revenue from the vendor investments. During the years ended June 30, 2016 and 2015, BEI recognized \$670,798 and \$104,202, respectively, in donations to the University related to dining services. The following is a rollforward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	2016	2015
Unearned Service and Management Arrangement Income - Beginning of Year	\$ 6,232,730	\$ 2,018,911
Add: Capital Improvements under Service and Management Arrangements	-	4,375,001
Less: Amounts due to Service Provider	(42,766)	-
Amortization of Unearned Income	(353,350)	(161,182)
Unearned Service and Management Arrangement Income - End of Year	\$ 5,836,614	\$ 6,232,730

The amended contract also calls for commissions to be paid to BEI based upon sales by the food service provider on a sliding scale from 2.25% on the first \$7.5 million of sales to 4.25% for sales in excess of \$11 million. Under the original contract, an advance commission payment of \$1 million was paid upon the signing of the contract during fiscal year 2012. The balance of unearned commission is \$374,752 and \$396,796 at June 30, 2016 and 2015, respectively.

Subsequent to June 30, 2016, the agreement between the food service provider and SHCC was terminated, effective September 30, 2016. Under the current agreement the amount of unearned service and management income related to SHCC operation, \$42,766 becomes payable within 180 days from the termination date to the food service provider by SHCC. This amount is included in Accrued Liabilities in the accompanying Statements of Net Position.

NOTE 8 ASSIGNMENT OF BOOKSTORE OPERATIONS

On October 15, 2012, the President of the University granted approval, under the Agreement, for BEI to accept and administer bookstore services for the University.

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

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 ASSIGNMENT OF BOOKSTORE OPERATIONS (CONTINUED)

Under the contract, a \$600,000 initial contribution was provided to BEI by the bookstore operations vendor. This initial contribution was recorded as unearned income and is being amortized on a straight line basis over the 10 year contract period. The bookstore operations vendor has also agreed to invest up to an additional \$300,000 for store upgrades throughout various campus locations. These upgrades are expected to occur within the next 12 months.

All equipment, fixtures and furniture included as store upgrades from the capital investments of the bookstore operations vendor or from future capital investments will remain the property of the bookstore operations vendor until the investment is fully amortized, over a five year period commencing on the date of the first disbursement of funds, at which time the upgrades will become property of the University. As of June 30, 2016 and 2015, there were no fully amortized store upgrades. Upon such time that store upgrade titles are transferred to the University, the fair value of the assets will be recognized as donations to the University and income by BEI.

During each of the years ended June 30, 2016 and 2015, BEI has recognized \$60,000 in bookstore contract revenue. The following is a rollforward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Unearned Service and Management Arrangement		
Income - Beginning of Fiscal Year	\$ 435,000	\$ 495,000
Less: Amortization of Unearned Income	(60,000)	(60,000)
Unearned Service and Management Arrangement		
Income - End of Year	<u>\$ 375,000</u>	<u>\$ 435,000</u>

The contract amendment also calls for commissions to be paid to BEI based upon sales by the bookstore operations vendor on a sliding scale from 10.25% on the first \$5 million of sales to 12.25% for sales in excess of \$7.5 million with a minimum annual guarantee of \$425,000 for fiscal years ended June 30, 2013, (which includes commissions earned from July 1, 2012, until the effective date of the contract amendment) and June 30, 2014. For the fiscal years commencing July 1, 2014, and beyond, the minimum annual guarantee shall be equal to 90% of the previous year's calculated commission amount. During the year ended June 30, 2016 and 2015, total commissions amounted to \$397,899 and \$409,197, respectively. These commissions are presented in the accompanying statements of revenues, expenses, and changes in net position.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9 ASSIGNMENT OF PARKING OPERATIONS

On June 21, 2013, the President of the University granted approval, under the Agreement, for BEI to accept and administer Parking and Transportation Services (PATS) for the University. The assignment was effective July 1, 2013.

The revenues and expenses for the PATS assigned function are the responsibility of BEI. BEI contracts with the University to collect revenues and to perform the day-to-day operations of the parking function on behalf of BEI.

Cash reserves held by the University specifically for the PATS assigned function will remain the property of the University and will be held for planned and unscheduled needs and for the design and construction of parking, transportation, and related facilities as required. BEI is responsible for the long-term planning, capital investment, and construction of new parking and transportation facilities.

NOTE 10 MOBILE LAUNDRY AND DRY CLEANING SERVICES

A license agreement was entered into by BEI and a vendor on August 1, 2014, to provide mobile laundry and dry cleaning services for UWF students, faculty, and staff. The vendor installed a prefabricated structure on the main campus of the University for customers to drop off and pick up laundry. The vendor pays a monthly license fee to BEI equal to 10% of gross revenues of the vendor in connection with the license agreement. The vendor is responsible for all costs associated with the terms of the license agreement other than the costs related to establishing the utilities connection.

NOTE 11 BUILDING LEASE AND RENTAL INCOME

On June 14, 2013, BEI entered into a lease agreement with the UWF Small Business Development Center, a component of the University, to rent Building Eight which was transferred to BEI in 2012. The annual rent shall be \$20,310 and the rental period began on July 1, 2013 and continues through June 30, 2016.

On June 17, 2016, BEI entered into a lease agreement with the University of West Florida, acting for and on behalf of the University of West Florida board of trustees, a public body corporate, to rent Building Eight for an additional 3 years commencing on July 1, 2016 through June 30, 2019. The annual rent shall be \$20,513, \$20,718, and \$20,925, respectively, for the next 3 fiscal years.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 RISK MANAGEMENT

BEI is exposed to various levels of loss including, but not limited to, losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. BEI is insured for these risks. There were no insurance losses related to these risks for the years ended June 30, 2016 and 2015. BEI is not aware of any liabilities related to these risks as of June 30, 2016.

BEI has established a Low Value Asset Policy to manage and account for certain property items which are portable and susceptible to theft or loss. No low value assets have been identified as missing as of June 30, 2016 and 2015.

NOTE 13 IN-KIND CONTRIBUTIONS

Rent for space utilized by BEI and owned by the University was recorded for \$2,654 and \$2,544, respectively, for each of the years ended June 30, 2016 and 2015. In addition, \$3,102 and \$4,250, respectively, was recorded for food and beverage services donated to BEI for the years ended June 30, 2016 and 2015.

Each state university board of trustees is authorized to permit the use of property, facilities, and personal services at any state university by any university direct support organization per Section 1004.28, Florida Statutes. Administrative and fiscal services, office space, and other miscellaneous support services are provided to the University direct support organizations by the University at no cost. Estimated fair values are recorded if determinable. No value is assigned to administrative and fiscal services in the accompanying statements of revenues, expenses, and changes in net position since there is no objective basis for determining the value.

NOTE 14 RELATED PARTIES

The University provides administrative, managerial and facilities support for BEI. BEI reimbursed the University \$13,726 and \$50,227 for services and costs during the year ended June 30, 2016 and 2015. For the years ended June 30, 2016 and 2015, BEI disbursed \$95,000 and \$95,789, respectively, to the University for food service management pursuant to the Agreement discussed in Note 7. For the years ended June 30, 2016 and 2015, BEI disbursed \$388,833 and \$402,449, respectively, to the University for bookstore management pursuant to the Agreement discussed in Note 8. For the years ended June 30, 2016 and 2015, BEI incurred expenses totaling \$1,526,020 and \$1,332,162, respectively, to the University for parking and transportation management pursuant to the Agreement discussed in Note 9.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of UWF Business Enterprises, Inc. (BEI) (a component unit of the University of West Florida), as of June 30, 2016, and the related notes to the financial statements, which collectively comprise BEI's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Orlando, Florida
September 30, 2016

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE I – SCENIC HILLS COUNTRY CLUB EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2016</u>	<u>2015</u>
Administrative Expenses	\$ 7,057	\$ 11,684
Advertising and Promotion	5,320	7,630
Armored Truck Charges	1,119	4,004
Bad Debt Provision	2,118	2,654
Bank Service Charges	13,529	14,380
Carts Expense	95,377	88,677
Computer	7,491	7,870
Course Maintenance	109,639	108,131
Dues and Subscriptions	1,827	2,002
Equipment Expense	330	2,296
Insurance	23,922	43,595
Loan Costs	-	8,471
Marketing Expense	12,797	18,526
Miscellaneous	320	-
Office Supplies	427	944
Postage	1,357	718
Pro Shop Expenses	784	4,029
Professional Fees	-	22,367
Repairs and Maintenance	19,171	25,968
Restaurant Expense	-	124
Staff Leasing	440,074	482,610
Taxes and Licenses	6,807	9,302
Utilities	126,321	131,192
Total	<u>\$ 875,787</u>	<u>\$ 997,174</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE II – FOOD SERVICE MANAGEMENT EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2016</u>	<u>2015</u>
Contractual Services - UWF	\$ 95,000	\$ 95,789
Total	<u>\$ 95,000</u>	<u>\$ 95,789</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE III – DONATIONS TO THE UNIVERSITY OF WEST FLORIDA
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2016</u>	<u>2015</u>
Dining Services Capital Improvements	<u>\$ 670,798</u>	<u>\$ 104,202</u>
Total	<u><u>\$ 670,798</u></u>	<u><u>\$ 104,202</u></u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE IV – GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2016</u>	<u>2015</u>
Administrative Expenses	\$ 4,144	\$ 3,936
Advertising and Promotion	463	745
Computer	5,750	5,515
Equipment	-	922
Miscellaneous	-	20
Office Supplies	2,918	2,814
Other University Support	16,481	24,416
Postage	271	238
Professional Fees	25,207	27,722
Taxes and Licenses	101	70
Travel and Entertainment	1,205	1,544
Utilities	121	86
Total	<u>\$ 56,661</u>	<u>\$ 68,028</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE V – PARKING AND TRANSPORTATION MANAGEMENT EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2016	2015
Bad Debt Expense	\$ 132,345	\$ 86,746
Contractual Services-UWF	1,526,020	1,332,162
Total	\$ 1,658,365	\$ 1,418,908

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE VI – BOOKSTORE MANAGEMENT EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2016</u>	<u>2015</u>
Contractual Services-UWF	\$ 388,833	\$ 402,449
Total	<u>\$ 388,833</u>	<u>\$ 402,449</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE VII – BUILDING EIGHT EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2016</u>	<u>2015</u>
Insurance	\$ 2,752	\$ 2,837
Repairs and Maintenance	1,171	246
Utilities	11,141	5,568
Total	<u>\$ 15,064</u>	<u>\$ 8,651</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE VIII – DIGITAL SIGN EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2016</u>	<u>2015</u>
Utilities	\$ 3,002	\$ -
Total	<u>\$ 3,002</u>	<u>\$ -</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE IX – DEPRECIATION EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2016</u>	<u>2015</u>
Building Eight	\$ 3,593	\$ 3,593
Scenic Hills Country Club	85,244	79,356
Argonaut Village	126,250	-
Total	<u>\$ 215,087</u>	<u>\$ 82,949</u>

UWF Board of Trustees Meeting
Audit & Compliance Committee
November 18, 2016

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

Proposed action: Acceptance

Background information:

Pursuant to Florida Statute 1004.28¹ and BOG Regulation BOG-9.011(4)², 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. The audit report was issued August 31, 2016.

To ensure compliance with the Florida Statute and BOG Regulation the Associate Vice President for Internal Auditing & Compliance performed a cursory review and determined compliance regarding the annual financial audit exists.

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

In its financial statement audit report, several significant financial activities as of 6/30/16 for the UWF Foundation were noted:

- The fair value of long-term investments was \$75,880,105.
- Net property and equipment was \$50,694,794.
- Bonds payable, net of unamortized discount was \$47,956,174.

Recommendation: Acceptance

Implementation Plan: None

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

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

² 9.011(4) "Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review."

Supporting documents:

- Financial Statement Audit Report for the University of West Florida Foundation, Inc., for fiscal year ending June 30, 2016
- Audit Communication Letter UWF Foundation, Inc. June 30, 2016

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

Presenter: Betsy Bowers, Associate Vice President

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 31, 2016, 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 31, 2016

**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, 2016, 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 31, 2016.

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 31, 2016

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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, 2016 AND 2015

	Unrestricted		Temporarily Restricted	Permanently Restricted	2016 Total
	Foundation	Student Housing			
Revenue, Support and Reclassifications:					
Contributions	\$ 934,358	\$ -	\$ 6,640,128	\$ 4,846,621	\$ 12,421,107
Interest and dividends	4,126	-	1,087,761	-	1,091,887
Net unrealized and realized gain (loss) on long-term investments	872,837	-	(3,656,364)	-	(2,783,527)
Student housing system	-	12,004,897	-	-	12,004,897
Other income	218,712	-	-	-	218,712
Reclassification of net assets	-	-	(303,215)	303,215	-
Net assets released from restrictions	5,241,706	-	(5,241,706)	-	-
Total revenue, support and reclassifications	<u>7,271,739</u>	<u>12,004,897</u>	<u>(1,473,396)</u>	<u>5,149,836</u>	<u>22,953,076</u>
Expenses:					
Direct program services -					
Scholarships	1,025,649	-	-	-	1,025,649
Other program services	3,986,413	-	-	-	3,986,413
Student housing system	-	10,660,878	-	-	10,660,878
Total direct program services	<u>5,012,062</u>	<u>10,660,878</u>	<u>-</u>	<u>-</u>	<u>15,672,940</u>
Supporting services -					
Fundraising	376,122	-	-	-	376,122
General and administrative	1,885,933	-	-	-	1,885,933
Total supporting services	<u>2,262,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,262,055</u>
Total expenses	<u>7,274,117</u>	<u>10,660,878</u>	<u>-</u>	<u>-</u>	<u>17,934,995</u>
Loss from cancelled restricted contributions	-	-	-	1,500	1,500
Total expenses and losses	<u>7,274,117</u>	<u>10,660,878</u>	<u>-</u>	<u>1,500</u>	<u>17,936,495</u>
Change in Net Assets	(2,378)	1,344,019	(1,473,396)	5,148,336	5,016,581
Net Assets, Beginning of Year	3,840,074	10,985,957	26,024,342	49,947,222	90,797,595
Net Assets, End of Year	<u>\$ 3,837,696</u>	<u>\$ 12,329,976</u>	<u>\$ 24,550,946</u>	<u>\$ 55,095,558</u>	<u>\$ 95,814,176</u>

Unrestricted		Temporarily Restricted	Permanently Restricted	2015 Total
Foundation	Student Housing			
\$ 893,763	\$ -	\$ 2,309,147	\$ 1,403,098	\$ 4,606,008
21,547	-	994,289	-	1,015,836
712,404	-	389,302	-	1,101,706
-	11,919,522	-	-	11,919,522
179,844	-	-	-	179,844
-	-	106,099	(106,099)	-
4,963,180	-	(4,963,180)	-	-
<u>6,770,738</u>	<u>11,919,522</u>	<u>(1,164,343)</u>	<u>1,296,999</u>	<u>18,822,916</u>
1,124,533	-	-	-	1,124,533
3,165,448	-	-	-	3,165,448
-	11,236,326	-	-	11,236,326
<u>4,289,981</u>	<u>11,236,326</u>	<u>-</u>	<u>-</u>	<u>15,526,307</u>
386,453	-	-	-	386,453
1,771,062	-	-	-	1,771,062
<u>2,157,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,157,515</u>
6,447,496	11,236,326	-	-	17,683,822
-	-	-	1,024,842	1,024,842
6,447,496	11,236,326	-	1,024,842	18,708,664
323,242	683,196	(1,164,343)	272,157	114,252
3,516,832	10,302,761	27,188,685	49,675,065	90,683,343
<u>\$ 3,840,074</u>	<u>\$ 10,985,957</u>	<u>\$ 26,024,342</u>	<u>\$ 49,947,222</u>	<u>\$ 90,797,595</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, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,016,581	\$ 114,252
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Net unrealized and realized gain (loss) on long-term investments	2,783,527	(1,101,706)
Contributions restricted for long-term purposes	(4,846,621)	(1,403,098)
Bad debt expense (recovery)	49,687	(3,634)
Loss from cancelled restricted contributions	1,500	1,024,842
Loss from property abandonment	140,380	-
Loss on bond defeasance	-	341,042
Change in fair value of -		
Contributions receivable	(180,417)	(77,490)
Split interest agreements	(1,229,072)	15,912
Cash surrender value of insurance policies	(98,007)	(64,940)
Depreciation and amortization	2,813,518	2,772,363
Net amortization of bond discount	11,197	8,313
Change in operating assets and liabilities -		
Contributions receivable	(454,878)	132,830
Other receivables	(105,622)	28,736
Due from University	100,920	(13,818)
Prepaid expenses	(67,246)	18,458
Accounts payable and accrued expenses	(85,318)	41,155
Net cash provided by operating activities	3,850,129	1,833,217
Cash Flows From Investing Activities:		
Purchases of investments	(11,995,496)	(15,635,497)
Proceeds from sales, maturities, and distributions of investments	6,889,689	14,797,347
Acquisition of property and equipment	(1,342,550)	(1,325,179)
Due to West Florida Historic Trust	(80,498)	2,195
Net cash used in investing activities	(6,528,855)	(2,161,134)
Cash Flows From Financing Activities:		
Proceeds from bond issuance	-	14,393,280
Defeasance of bond	-	(14,880,000)
Bond principal payments	(2,254,934)	(1,446,000)
Bond issuance costs	(117,362)	(122,051)
Contributions to permanent endowments	4,846,621	1,403,098
Net cash provided by (used in) financing activities	2,474,325	(651,673)
Net Decrease in Cash and Cash Equivalents	(204,401)	(979,590)
Cash and Cash Equivalents at Beginning of Year	14,047,184	15,026,774
Cash and Cash Equivalents at End of Year	\$ 13,842,783	\$ 14,047,184

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, 2016 AND 2015
(Continued)

	2016	2015
Analysis of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 1,833,360	\$ 1,592,636
Restricted cash equivalents	12,009,423	12,454,548
	\$ 13,842,783	\$ 14,047,184
 Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 2,200,604	\$ 2,696,218
 Supplemental Disclosure of Noncash Investing Activities:		
Abandonment of construction in progress	\$ 140,380	\$ -

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, 2016 AND 2015

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 12 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

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

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 a portion of SPIA, and funds held by bond trustees for construction of on-campus housing, debt service, and maintenance of reserves required under the bond indentures. 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.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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:

Bond discounts 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, 2016 and 2015, accrued compensated absences totaling \$258,247 and \$243,114 were reported as a component of accrued expenses in the accompanying financial statements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 11, 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 2015 financial statements have been reclassified to conform to the 2016 presentation.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events:

Management has evaluated subsequent events through August 31, 2016, the date which the financial statements were available for issue.

Recent Accounting Standards:

During the year ended June 30, 2016, the Foundation elected to early adopt and retrospectively apply FASB Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”), which requires that debt issuance costs be presented as a direct deduction from the carrying amount of the debt rather than as an asset, consistent with debt discounts. The June 30, 2015 balance sheet previously reported bonds payable of \$51,231,817 in liabilities, with the associated \$975,296 unamortized debt issuance costs included in bond issue costs, net. There was no impact on the results of operations as a result of the adoption of ASU 2015-03.

NOTE 2 - RESTRICTED CASH EQUIVALENTS

Restricted cash equivalents at June 30 consist of the following:

	2016	2015
Housing operating reserves	\$ 1,192,064	\$ 1,173,603
Housing replacement reserves	1,028,595	1,049,230
Housing contingency and improvement reserve	7,287,042	6,924,267
Courtelis reserve	772,444	861,986
SPIA operating reserves	728,135	1,444,832
2009 bond issuance - Special interest checking	1,001,134	1,000,623
2010 bond interest	6	6
2011 bond issuance - Principal	1	1
2015 bond issuance - Principal	2	-
	\$ 12,009,423	\$ 12,454,548

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 20%, based on the prevailing five-year Treasury constant maturities. The current year fair value adjustment to contributions revenue for temporarily and permanently restricted was \$42,183 and \$160,846 respectively. For the year ending June 30, 2015, the fair value adjustment to contributions revenue for temporarily and permanently restricted was \$55,497 and \$327,949, 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 2016 and 2015, there were no transfers of contributions receivable into or out of Level 3.

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

	2016	2015
In one year or less	\$ 568,066	\$ 461,161
Between one and five years	1,026,014	541,361
Greater than five years	1,416,250	1,552,930
Total contributions receivable, gross	3,010,330	2,555,452
Less discounts to net fair value	203,029	383,446
Less allowance for doubtful accounts	5,089	1,851
Net contributions receivable, fair value	\$ 2,802,212	\$ 2,170,155

The table below presents information about unconditional promises to give measured at fair value at June 30, 2016:

	Temporarily Restricted	Permanently Restricted
Promises measured at Fair Value		
Promised cash flows	\$ 1,131,733	\$ 1,878,597
Fair value estimate	\$ 1,089,549	\$ 1,717,752
Measurement basis	Level 3	Level 3
Contribution revenue	\$ 42,184	\$ 160,845
Total changes included in the statement of activities	\$ 42,184	\$ 160,845

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
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

Changes in unconditional promises to give for the year ended June 30, 2016 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning Balance, July 1, 2015	\$ 550,878	\$ 1,621,128
New promises received	788,450	368,102
Collections	(263,093)	(438,581)
Contribution revenue	13,314	167,103
 Ending Balance, June 30, 2016	 <u>\$ 1,089,549</u>	 <u>\$ 1,717,752</u>

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NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

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

	Temporarily Restricted	Permanently Restricted
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)
	<u>550,878</u>	<u>1,621,128</u>
Ending Balance, June 30, 2015	<u>\$ 550,878</u>	<u>\$ 1,621,128</u>

Conditional promises to give amounted to \$2,438,052 at June 30, 2016 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:

	2016	2015
Student loan fund	\$ 62,879	\$ 62,119
Rent, less allowance of \$205,565 in 2016 and \$157,616 in 2015	126,070	71,476
Other	17,646	15,327
	<u>206,595</u>	<u>148,922</u>
Net other receivables	<u>\$ 206,595</u>	<u>\$ 148,922</u>

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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 \$185,578 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, 2016:			
Equity securities -			
Common stock and mutual funds	\$ 43,910,566	\$ 46,386,579	\$ 2,476,013
Debt securities	10,131,886	10,686,444	554,558
Alternative investments -			
Fund of fund hedge funds	11,005,742	14,746,138	3,740,396
Private equity investments	1,716,730	2,148,431	431,701
Real estate investment trust	1,778,429	1,912,513	134,084
	<u>\$ 68,543,353</u>	<u>\$ 75,880,105</u>	<u>\$ 7,336,752</u>
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>

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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 10, the fair market value of all endowed investments was at a level above the minimum required by donor stipulations, totaling \$4,731,745. However, individual donor-restricted endowment funds were deficient, totaling \$773,888, where the fair value of the investments at June 30, 2016 was less than the level required by the donor stipulations.

The net return on investments was as follows:

	<u>Total Unrestricted</u>	<u>Temporarily Restricted</u>
Year Ended June 30, 2016 -		
Dividends and interest	\$ 4,126	\$ 1,087,761
Net realized gain on investments	3,040	778,101
Unrealized gain (loss) on investments	<u>869,797</u>	<u>(4,434,465)</u>
 Total return on investments	 <u>\$ 876,963</u>	 <u>\$ (2,568,603)</u>
 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	<u>657,179</u>	<u>(2,113,569)</u>
 Total return on investments	 <u>\$ 733,951</u>	 <u>\$ 1,383,591</u>

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NOTE 6 - PROPERTY AND EQUIPMENT

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

	2016	2015
Land	\$ 1,454,483	\$ 1,454,483
Property held under capital lease	74,278,716	73,324,046
Office equipment and software	486,017	465,051
	76,219,216	75,243,580
Less accumulated depreciation	27,571,267	24,818,502
	48,647,949	50,425,078
Construction in progress	1,123,712	954,362
Idle property, net	923,133	865,950
	\$ 50,694,794	\$ 52,245,390

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$2,752,766 and \$2,705,239, 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, 2016 and 2015, amortization of the property under capital lease totaled \$2,716,340 and \$2,668,812, respectively. See Note 12 for further capital lease disclosure.

The Foundation routinely evaluates the carrying value of its long-lived assets. The Foundation records impairment losses on long-term assets when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such assets are considered to be impaired, the charge to operations is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of June 30, 2016, none of the Foundation's long-lived assets were considered to be materially impaired.

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JUNE 30, 2016 AND 2015

NOTE 7 - RELATED PARTY TRANSACTIONS

At June 30, 2016 and 2015, 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, 2016 and 2015, the cash balances held by the University were \$278,696 and \$379,616 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 \$1,157,601 and \$1,238,099 at June 30, 2016 and 2015, 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 \$773,000 and \$764,000 in 2016 and 2015, 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.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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JUNE 30, 2016 AND 2015

NOTE 8 - BONDS PAYABLE

Revenue Bonds consist of the following at June 30:

	2016	2015
\$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	\$ 13,683,344	\$ 14,393,280
\$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	11,680,000	12,304,000
\$9,226,000 Dormitory Refunding Revenue Bonds, Series 2010, due in annual installments of \$591,000 to \$830,500, from June 1, 2016 through June 1, 2028 with an interest rate of 2.75% due semiannually, June 1 and December 1	8,635,000	9,226,000
\$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	15,265,000	15,595,000
Bonds payable	49,263,344	51,518,280
Less unamortized discount and issue costs	1,307,170	1,261,759
Bonds payable, net of unamortized discount and issue costs	\$ 47,956,174	\$ 50,256,521

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NOTE 8 - BONDS PAYABLE (Continued)

Interest of \$173,269 and \$191,149 was accrued on the bonds as of June 30, 2016 and 2015, respectively.

Maturities of the Revenue Bonds are as follows:

<u>For the year ending</u>	
2017	\$ 2,346,044
2018	2,424,497
2019	2,517,196
2020	2,611,371
2021	2,710,073
Thereafter	<u>36,654,163</u>
	<u>\$ 49,263,344</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. During the year ended June 30, 2016, the Foundation obtained an interest rate reduction sponsored by the Escambia County Housing Finance Authority. This reduced the debt service payments by approximately \$746,000, a net present value savings of approximately 6.6% or \$607,000. As a result, the transaction is accounted for as a loan modification under FASB ASC 470, *Debt*. The modification resulted in capitalization of bond issuance costs of \$117,362.

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.

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NOTE 8 - BONDS PAYABLE (Continued)

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, 2016 was 155%. The Foundation is not aware of any violations of the covenants at June 30, 2016.

NOTE 9 - NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Scholarships, student awards and loan funds	\$ 5,724,917	\$ 6,881,474
Faculty support, professorships and chairs	3,657,002	4,576,236
Foundation reserve fund	2,665,802	3,535,700
Programs and other	<u>12,503,225</u>	<u>11,030,932</u>
Total temporarily restricted net assets	<u>\$ 24,550,946</u>	<u>\$ 26,024,342</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, 2016 and 2015, categorized by the purpose for which the income is expendable:

	<u>2016</u>	<u>2015</u>
Scholarships, student awards and loan funds	\$ 25,049,854	\$ 22,634,860
Faculty support, professorships and chairs	11,763,613	11,763,604
Programs and other	<u>18,282,091</u>	<u>15,548,758</u>
Total permanently restricted net assets	<u>\$ 55,095,558</u>	<u>\$ 49,947,222</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 10 - ENDOWMENTS

The Foundation's endowments consist of 255 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.

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

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NOTE 10 - ENDOWMENTS (Continued)

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, 2016 and 2015, the amount of the loan was \$156,283 and \$15,355, 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.

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, 2016 and 2015.

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NOTE 10 - 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 2016-2017 is 1.78%.

Changes in balances for donor and board restricted endowments by net asset class as of June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted permanent endowments	\$ -	\$ -	\$ 53,379,642	\$ 53,379,642
Donor-restricted expendable balance from permanent endowments	-	4,731,745	-	4,731,745
Donor-restricted unconditional promises to give, at fair value	-	-	1,715,916	1,715,916
Donor-restricted quasi endowments	-	343,422	-	343,422
Board-designated quasi endowments	1,587,798	-	-	1,587,798
 Total endowment balance	 <u>\$ 1,587,798</u>	 <u>\$ 5,075,167</u>	 <u>\$ 55,095,558</u>	 <u>\$ 61,758,523</u>

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NOTE 10 - ENDOWMENTS (Continued)

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

	Expendable		Nonexpendable	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Balance, July 1, 2014	\$ 1,540,320	\$ 13,128,848	\$ 49,675,065	\$ 64,344,233
Restricted contributions	-	-	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>

The earnings from investments, and expenditures from those earnings, related to the permanently restricted nonexpendable balances for the years ended June 30, 2016 and 2015 are classified as temporarily restricted.

Endowment composition by net asset class as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted permanent endowments	\$ -	\$ -	\$ 53,379,642	\$ 53,379,642
Donor-restricted expendable balance from permanent endowments	-	4,731,745	-	4,731,745
Donor-restricted unconditional promises to give, at fair value	-	-	1,715,916	1,715,916
Donor-restricted quasi endowments	-	343,422	-	343,422
Board-designated quasi endowments	<u>1,587,798</u>	<u>-</u>	<u>-</u>	<u>1,587,798</u>
Total endowment balance	<u>\$ 1,587,798</u>	<u>\$ 5,075,167</u>	<u>\$ 55,095,558</u>	<u>\$ 61,758,523</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10 - ENDOWMENTS (Continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
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	<u>1,794,978</u>	<u>-</u>	<u>-</u>	<u>1,794,978</u>
Total endowment balance	<u>\$ 1,794,978</u>	<u>\$ 11,070,338</u>	<u>\$ 49,947,222</u>	<u>\$ 62,812,538</u>

As of June 30, 2016 and 2015, \$1,931,220 and \$2,079,072, 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 11 - 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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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 - 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 7.26% to 21.43% and 7.37% to 21.14% for 2016 and 2015, 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 2016 and 2015, employees paid an amount of 3.00% into the Plan. Retirement expense for employees participating in this plan was \$79,185 and \$76,844 for the years ended June 30, 2016 and 2015, respectively.

DROP, subject to provisions of section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefits payments while continuing employment with an FRS employer. An employer may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. No employees participated in DROP during the year ended June 30, 2016.

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 \$19,511 and \$18,273 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 totaled \$65,345 and \$56,811, 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 2016 and 2015 for the University President participating in the plan totaled \$38,616 and \$37,290, respectively.

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NOTE 12 - 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 2016 or 2015. 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 13 - 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, 2016, the Foundation's uninsured cash balance at financial institutions totaled approximately \$427,000.

At June 30, 2016, the Foundation maintained approximately \$8,987,000 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, 2016, the Pool was rated at A+f by Standard and Poor's and had an effective duration of 2.61 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, 2016, the unaudited Factor was 1.0143. 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 13 - 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. These accounts are not insured by the FDIC. At June 30, 2016, the Foundation maintained cash and cash equivalent balances at these institutions totaling approximately \$4,428,000.

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, 2016, 43% of the Foundation’s contributions receivable was due from one donor.

NOTE 14 - 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 15 - 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:

	2016	2015
Carrying amount	\$ 47,956,174	\$ 50,256,521
Fair value	\$ 48,838,346	\$ 51,431,022

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 16 - 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 16 - 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 16 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation's assets and liabilities at June 30, 2016 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Equity securities-Domestic & International:				
Consumer	\$ 2,025,683	\$ 2,025,683	\$ -	\$ -
Energy	3,365,459	3,365,459	-	-
Financials	1,962,639	1,962,639	-	-
Health care	540,059	540,059	-	-
Industrials	339,364	339,364	-	-
Technology	1,768,211	1,768,211	-	-
International	12,358,362	12,358,362	-	-
Other	24,026,802	24,026,802	-	-
Total equity securities	<u>46,386,579</u>	<u>46,386,579</u>	<u>-</u>	<u>-</u>
Debt securities:				
Corporate bonds and mutual funds	3,872,024	3,872,024	-	-
High yield fixed income	1,010,121	-	1,010,121	-
U.S. government agencies	1,670,178	1,670,178	-	-
U.S. government mortgage pool	3,650,769	3,650,769	-	-
Corporate mortgage pool	483,352	483,352	-	-
Total debt securities	<u>10,686,444</u>	<u>9,676,323</u>	<u>1,010,121</u>	<u>-</u>
Alternative investments:				
Fund of fund hedge funds -				
Directional, hedged equity	4,388,364	-	-	4,388,364
Non-Directional absolute return	2,805,675	-	-	2,805,675
Equity market neutral	7,552,099	-	-	7,552,099
Total fund of fund hedge funds	<u>14,746,138</u>	<u>-</u>	<u>-</u>	<u>14,746,138</u>
Private equity investments	2,148,431	-	-	2,148,431
Real estate investment trust	1,912,513	-	-	1,912,513
Total alternative investments	<u>18,807,082</u>	<u>-</u>	<u>-</u>	<u>18,807,082</u>
Funds held in trust by others	<u>3,121,850</u>	<u>-</u>	<u>-</u>	<u>3,121,850</u>
Total assets	<u>79,001,955</u>	<u>56,062,902</u>	<u>1,010,121</u>	<u>21,928,932</u>
Liabilities:				
Funds held in trust	1,795,555	-	-	1,795,555
Due to WFHT	1,157,601	-	1,157,601	-
Total liabilities	<u>2,953,156</u>	<u>-</u>	<u>1,157,601</u>	<u>1,795,555</u>
Total	<u>\$ 76,048,799</u>	<u>\$ 56,062,902</u>	<u>\$ (147,480)</u>	<u>\$ 20,133,377</u>

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NOTE 16 - 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 16 - 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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NOTE 16 - 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.

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NOTE 16 - 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, 2016:

	Fund of Fund Hedge Funds	Private Equity	Real Estate	Funds Held in Trust by Others	Total
Assets:					
Beginning balance	\$ 15,815,353	\$ 2,032,648	\$ 1,498,690	\$ 295,598	\$ 19,642,289
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Total gains or losses:					
Included in change					
in net assets	(1,069,215)	220,499	349,049	(105,457)	(605,124)
Purchases, issuances, sales, and settlements:					
Purchases	-	106,049	481,784	3,000,000	3,587,833
Sales	-	-	-	-	-
Settlements	-	(210,765)	(417,010)	(68,291)	(696,066)
Total assets	14,746,138	2,148,431	1,912,513	3,121,850	21,928,932
Liabilities:					
Beginning balance	-	-	-	198,375	198,375
Transfers into Level 3	-	-	-	52,974	52,974
Transfers out of Level 3	-	-	-	(13,646)	(13,646)
Total gains or losses:					
Included in change					
in net assets	-	-	-	(104,777)	(104,777)
Purchases, issuances, sales, and settlements:					
Purchases	-	-	-	1,731,600	1,731,600
Settlements	-	-	-	(68,971)	(68,971)
Total liabilities	-	-	-	1,795,555	1,795,555
Total	\$ 14,746,138	\$ 2,148,431	\$ 1,912,513	\$ 1,326,295	\$ 20,133,377

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NOTE 16 - 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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 16 - 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 3 investments as of June 30, 2016, 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	\$ 76,289	Independent Appraisal	Capitalization Rate	6.76%
Real Estate Partnership Interest	\$ 121,464	Market Transactions (a)	N/A	N/A
Real Estate Investment Trust - Harbert V:				
Real Estate Partnership Interest	\$ 85,758	Independent Appraisal	Capitalization Rate	6.64%
Real Estate Partnership Interest	\$ 228,342	Direct Capitalization	Capitalization Rate	6.97%
Real Estate Partnership Interest	\$ 1,400,660	Market Transactions (a)	N/A	N/A
Private Equity Investments:				
Preferred Partnership Interest	\$ 502,927	Market Approach	LTM EBITDA Multiple (9.5X)	N/A
Member or Partnership Interest	\$ 437,462	Market Approach; Recent Transaction Price (b)	LTM EBITDA Multiple (15.2X); Discount for lack of marketability	15%

(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.

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

The following table lists investments in hedge funds and investment limited partnerships by strategy as of June 30, 2016:

	<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	\$ 4,388,364	\$ -	Quarterly	90 Days
Non-Directional absolute return	2,805,675	-	Quarterly	90 Days
Equity market neutral	7,552,099	-	Quarterly to Semi-annual	95 Days
Private equity investments	2,148,431	868,836	N/A*	N/A*
Real estate investment trust	1,912,513	354,812	N/A*	N/A*
Funds held in trust by others	<u>3,121,850</u>	<u>-</u>	N/A**	N/A**
	<u>\$ 21,928,932</u>	<u>\$ 1,223,648</u>		

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

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

NOTE 17 - CONTINGENCY

During the year ended June 30, 2016, management decided to take the Southside units, which are part of the University's student housing system, off line. This action was compliant with the covenants in Section 5.14 of all the bond agreements, which allow housing facilities to be abandoned, sold, converted, razed or removed in the event that the facilities are found to be not capable of producing positive net revenues. Management has been considering this action as a portion of these units have been taken off line over the past few years. The Southside units, originally constructed in the 1960's, are the oldest units and maintenance costs have increased each year. It was economically unfeasible to continue to operate these units in their current capacity. Management continues to explore alternative uses of the Southside units, including Greek housing, that are in line with the University's master plan. Conversion costs and the highest and best use alternatives for these assets are uncertain at this time.

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JUNE 30, 2016 AND 2015

NOTE 18 - SUBSEQUENT EVENT

On July 1, 2016, the assets of the Pensacola Museum of Art (“PMA”), an independent not-for-profit corporation, became part of the University. On that date, the Foundation was gifted a historic building, a fine arts collection, and a permanent endowment from the dissolving entity. Also on July 1, 2016, the Foundation transferred the building to the University and the fine arts collection to WFHT. WFHT maintains a management agreement with the University covering the preservation of historic properties for the University. As a result of this transaction, the Foundation will have approximately \$4 million in contributions, of which approximately \$3.3 million will be transferred to related parties, and \$700,000 will remain endowments for PMA. The Foundation will continue to steward the endowment for purposes of the PMA, now a division of the WFHT. The new PMA division has a non-governing advisory board that reports to WFHT's board of directors.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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SCHEDULES OF STUDENT HOUSING SYSTEM REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Revenues:		
Rent	\$ 11,592,258	\$ 11,556,232
Interest	150,627	139,254
Other	262,012	224,036
Total revenues	12,004,897	11,919,522
Operating Expenses:		
Salaries and wages	2,305,733	2,142,503
Administrative and general	775,969	972,505
Maintenance and repairs	1,280,695	1,260,648
Insurance	141,528	212,116
Utilities	1,185,940	1,233,256
Interest	2,182,724	2,671,048
Depreciation	2,708,340	2,660,812
Amortization	79,949	83,438
Total operating expenses	10,660,878	11,236,326
Excess of Revenues over Expenses	\$ 1,344,019	\$ 683,196

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, 2016 AND 2015

ASSETS

	2016	2015
Cash and cash equivalents	\$ 1,540,800	\$ 1,285,588
Restricted cash equivalents	1,500,579	2,306,818
Contributions receivable, net	2,802,212	2,170,155
Other receivables, net	80,525	77,446
Prepaid expenses	122,343	56,765
Long-term investments	75,880,105	73,557,825
Property and equipment, net	1,454,483	1,490,909
Assets held under split interest agreements	3,121,850	295,598
Other assets	353,073	255,066
Total Assets	\$ 86,855,970	\$ 81,496,170

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 250,969	\$ 215,399
Liabilities held under split interest agreements	1,795,555	198,375
Due to University	167,645	32,659
Due to West Florida Historic Trust	1,157,601	1,238,099
Total liabilities	3,371,770	1,684,532
Commitments and Contingencies	--	--
Net Assets:		
Unrestricted	3,837,696	3,840,074
Temporarily restricted	24,550,946	26,024,342
Permanently restricted	55,095,558	49,947,222
Total net assets	83,484,200	79,811,638
Total Liabilities and Net Assets	\$ 86,855,970	\$ 81,496,170

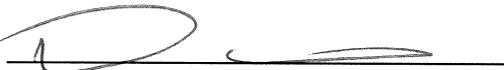
UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	Scholarships	Other Program Services	Student Housing System	Fundraising	General & Administrative	2016 Total	2015 Total
Amortization	\$ -	\$ -	\$ 79,949	\$ -	\$ -	\$ 79,949	\$ 83,438
Bad debt expense (recovery)	-	1,738	47,949	-	-	49,687	(3,634)
Bond expense	-	-	66,778	-	-	66,778	79,939
Depreciation	-	36,426	2,708,340	-	-	2,744,766	2,697,239
Equipment	-	40,901	12,055	-	531	53,487	126,663
Housing administrative and general	-	-	87,255	-	-	87,255	121,187
Insurance	-	65,435	141,528	-	23,915	230,878	303,466
Interest	-	-	2,182,724	-	-	2,182,724	2,671,048
Investment and consultant fees	-	3,549	-	-	260,315	263,864	217,615
Lobbying	-	20,000	-	-	45,000	65,000	70,000
Maintenance and repairs	-	-	1,280,695	-	434	1,281,129	1,262,388
Miscellaneous	-	121,305	-	4,936	7,901	134,142	101,136
Office	-	141,047	126,217	41,963	71,763	380,990	352,399
Professional development	-	66,588	14,398	3,981	1,078	86,045	100,618
Professional services	-	399,462	164,380	101,450	128,657	793,949	693,768
Public radio program	-	303,961	-	-	-	303,961	341,660
Public relations	-	96,634	-	28,210	22,280	147,124	199,960
Recruitment	-	24,469	916	842	77	26,304	37,234
Rental	-	33,529	-	6,430	160	40,119	34,442
Salaries and wages	-	1,268,151	2,305,733	151,941	1,418,968	5,144,793	4,745,848
Scholarships	1,025,649	-	-	-	-	1,025,649	1,124,533
Service charges and other fees	-	32,018	170,499	3,023	(142,013)	63,527	410,459
Student and staff support	-	5,032	-	-	-	5,032	1,615
Travel and entertainment	-	280,280	85,522	33,346	41,492	440,640	460,951
University support	-	1,045,888	-	-	5,375	1,051,263	216,594
Utilities	-	-	1,185,940	-	-	1,185,940	1,233,256
	<u>\$ 1,025,649</u>	<u>\$ 3,986,413</u>	<u>\$ 10,660,878</u>	<u>\$ 376,122</u>	<u>\$ 1,885,933</u>	<u>\$ 17,934,995</u>	<u>\$ 17,683,822</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, 2016
(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	\$ 1,549,686	\$ -	\$ 69,749	\$ 6,866	\$ 85,347	\$ 1,527,222	\$ 1,210,852	\$ 1,527,222
John C. Pace, Sr., Business Chair	1,000,000	1,275,253	-	57,397	5,650	70,233	1,256,767	1,000,000	1,256,767
John C. Pace, Sr., Memorial Eminent Scholar	2,644,500	3,448,000	-	155,188	15,276	189,895	3,398,017	2,644,500	3,398,017
John C. Pace, Jr., Distinguished University Professorship	3,966,750	5,172,000	-	232,783	22,914	284,843	5,097,026	3,966,750	5,097,026
Mary Ball Washington Chair	<u>1,320,155</u>	<u>1,586,106</u>	-	<u>71,388</u>	<u>7,027</u>	<u>87,353</u>	<u>1,563,114</u>	<u>1,320,155</u>	<u>1,563,114</u>
Total - Eminent Scholars Program	<u>\$ 10,142,257</u>	<u>\$ 13,031,045</u>	<u>\$ -</u>	<u>\$ 586,505</u>	<u>\$ 57,733</u>	<u>\$ 717,671</u>	<u>\$ 12,842,146</u>	<u>\$ 10,142,257</u>	<u>\$ 12,842,146</u>

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


 Daniel Lucas, Chief Financial Officer

August 31, 2016
 Date

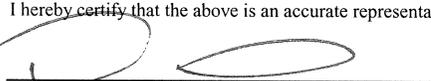
UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Name of Gift	Beginning	Beginning	Corpus		Investments		Fund Balance		Loan from	Ending	Ending
	Corpus	Net	Contributed	Investment	& Other	Spending	Net of	Reclass	Unrestricted	Corpus	Total
	Balance	Balance	During the	Earnings	Expenses	Transfers	Earnings, Expenses	for	Transfers	Balance	Balance
			Year				& Transfers	Spending			
Alexander Memorial Scholarship	\$ 282,852	\$ 310,905	\$ -	\$ (13,993)	\$ 1,377	\$ 17,121	\$ 278,414	\$ -	\$ -	\$ 282,852	\$ 278,414
Alfred duPont Foundation Scholarship	275,000	289,533	40,000	(12,048)	1,398	13,143	302,944	-	-	315,000	302,944
Bank of America	150,000	170,221	-	(7,661)	754	9,374	152,432	-	-	150,000	152,432
Baptist Hospital Fund	170,530	231,621	9	(10,209)	1,005	12,493	207,923	-	-	170,539	207,923
Barnett Bank Endowment	166,692	226,835	-	(10,425)	1,026	12,756	202,628	-	-	166,692	202,628
Blue Cross & Blue Shield Nursing Scholarship	155,673	163,322	-	(7,351)	724	7,381	147,866	-	-	155,673	147,866
C. L. Fountain Family Business Ethics	100,000	109,260	-	(4,918)	484	6,017	97,841	-	-	100,000	97,841
Cacilda Prado Pace Library Fund	150,046	156,329	-	(7,036)	693	7,064	141,536	-	-	150,046	141,536
Chadbourne Foundation - PJC/UWF	166,434	211,837	10,000	(9,328)	965	11,834	199,710	-	-	176,434	199,710
Chadbourne Foundation Business Ethics	300,000	318,425	-	(14,332)	1,411	14,065	288,617	-	-	300,000	288,617
Charles & Fran Switzer Business Ethics	198,774	214,668	-	(9,662)	951	11,821	192,234	-	-	198,774	192,234
CHARLOTTE	150,000	187,449	-	(8,437)	830	10,324	167,858	-	-	150,000	167,858
Dorothy Martin Endowment	150,005	187,814	-	(8,453)	832	10,344	168,185	-	-	150,005	168,185
E. W. Hopkins Jr., Professorship	175,343	236,379	-	(10,639)	1,047	13,018	211,675	-	-	175,343	211,675
Elizabeth R. Woolf	275,412	347,246	-	(15,629)	1,538	19,123	310,956	-	-	275,412	310,956
Gulf Power Electrical Engineering	152,700	160,079	-	(7,205)	709	7,234	144,931	-	-	152,700	144,931
Harold E. & Pat Marcus History/Archaeology	150,000	179,350	-	(8,072)	795	9,877	160,606	-	-	150,000	160,606
Jane & Fred Seligman Endowment	207,251	217,448	-	(9,787)	963	9,828	196,870	-	-	207,251	196,870
John C. Pace, Jr., Memorial Endowment	8,592,090	11,061,487	-	(497,858)	49,007	609,200	9,905,422	-	-	8,592,090	9,905,422
John C. Pace, Jr., Memorial Scholarship Fund	7,740,820	10,038,235	15	(451,803)	44,474	552,846	8,989,127	-	-	7,740,835	8,989,127
John L. Switzer Business Ethics	195,688	211,058	-	(9,499)	935	11,623	189,001	-	-	195,688	189,001
Katherine C. Pace Memorial Endowment	1,700,000	1,728,993	-	(77,819)	7,660	78,128	1,565,386	-	-	1,700,000	1,565,386
Kerrigan Daughters' Endowment	340,204	356,422	-	(16,042)	1,579	16,105	322,696	-	-	340,204	322,696
Kugelman Family Scholarship Endowment	185,563	250,336	-	(16,069)	577	233,832	(142)	-	-	185,563	(142)
Levin Fund	251,906	311,617	-	(14,025)	1,381	17,162	279,049	-	-	251,906	279,049
Mabie Fund	324,014	392,910	-	(17,684)	1,741	21,639	351,846	-	-	324,014	351,846
Mattie M. Kelly Music Education Fund	163,443	219,477	-	(9,878)	972	12,087	196,540	-	-	163,443	196,540
Maygarden Lecture Series	162,810	178,499	-	(8,034)	791	9,830	159,844	-	-	162,810	159,844
Medical Center Clinic Endowment	164,297	211,418	9	(9,515)	937	11,644	189,331	-	-	164,306	189,331

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, 2016
(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	155,856	-	(7,015)	691	7,043	141,107	-	-	150,000	141,107
Orville Beckford Scholarship Endowment	150,050	182,180	-	(8,200)	807	10,033	163,140	-	-	150,050	163,140
Pickens Foundation For Education	161,582	206,011	383	(9,266)	914	11,334	184,880	-	-	161,965	184,880
Pre Professional Endowment	165,338	237,260	-	(10,679)	1,051	13,067	212,463	-	-	165,338	212,463
Raymond C. Dyson Fund I	177,422	232,243	-	(10,453)	1,029	12,791	207,970	-	-	177,422	207,970
Raymond C. Dyson Fund II	162,282	208,733	-	(9,395)	925	11,496	186,917	-	-	162,282	186,917
Rotary Business Ethics	105,000	112,600	-	(5,068)	499	6,201	100,832	-	-	105,000	100,832
Sacred Heart Allied Health Endowment	163,947	222,829	-	(10,029)	987	12,271	199,542	-	-	163,947	199,542
Seymour Gitenstein Scholarship Endowment	200,000	180,702	-	(8,133)	801	10,138	161,630	-	-	200,000	161,630
Switzer Brothers Professorship Endowment	581,859	618,452	-	(27,835)	2,740	27,951	559,926	-	-	581,859	559,926
T. T. Wentworth, Jr. Historical Center	151,240	145,808	-	(6,563)	646	6,589	132,010	-	-	151,240	132,010
William D. Smart Seminar Series in Chem. End.	161,579	162,362	-	(7,308)	719	7,337	146,998	-	-	161,579	146,998
Women's Athletic Trust Fund	166,834	210,257	900	(9,445)	933	11,586	189,193	-	-	167,734	189,193
Total	\$ 25,694,680	\$ 31,754,466	\$ 51,316	\$ (1,432,800)	\$ 140,298	\$ 1,924,750	\$ 28,307,934	\$ -	\$ -	\$ 25,745,996	\$ 28,307,934

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


Daniel Lucas, Chief Financial Officer

August 31, 2016

Date

UWF Board of Trustees Meeting
Audit & Compliance Committee
November 18, 2016

Issue: Annual Certification and the External Audit: Financial Statement Audit of Direct Support Organization—West Florida Historic Trust, Inc.

Proposed action: Acceptance

Background information:

Pursuant to Florida Statute 1004.28¹, BOG Regulation BOG-9.011(4)² and the agreement between UWF and West Florida Historic Trusts, Inc. affiliated entities (aka Direct Support Organizations) must be certified annually by the University of West Florida. West Florida Historic Preservation, Inc. (dba UWF Historic Trust) is such an entity and has been audited for the fiscal year ending June 30, 2016.

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 Compliance performed a cursory review of the documents and determined WFHPI met the requirements.

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

Financial Highlights:

Significant financial highlights for the year ended 6/30/2016 included:

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

² 9.011(4) "Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review."

- Secured over \$250,000 in grant funding that allowed WFHPI to continue its ongoing preservation efforts of the downtown campus and make improvements to its outdoor exhibits
- Investment in capital assets as of 6/30/2016 was \$4,647,070
- Subsequent to year end on July 1, 2016 the assets of the Pensacola Museum of Art became part of the UWF. WFHPI will manage the fine arts collection of the Pensacola Museum of Art as part of its agreement with UWF covering the preservation of historic properties for UWF.

Recommendation: Acceptance

Implementation Plan: None

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

Supporting documents:

- Financial Statement Audit Report for the West Florida Historic Preservation, Inc., for fiscal year ending June 30, 2016
- Audit Communication Letter WFHPI June 30, 2016

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

Presenter: Betsy Bowers, Associate Vice President

To Management and the Board of Trustees
University of West Florida Foundation, Inc.
Pensacola, Florida

We have audited the financial statements of the University of West Florida Foundation, Inc. (the "Foundation") for the year ended June 30, 2016, and have issued our report thereon dated August 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 May 9, 2016. 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 Foundation 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 2016. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the fair value and collectability of promises to give is based on signed pledge cards, historical collection rates and an analysis of the collectability of individual promises. Management's periodic evaluation of this estimate and the underlying assumptions used are based on the Foundation's experience, various known and inherent risk, and current economic conditions.

Management's estimate of the fair value of investments is based on various methods, which include unadjusted quoted market prices, observable inputs based on both active and inactive markets, and unobservable inputs that are supported by little market activity. Management's periodic evaluation of this estimate is based on the Foundation's experience, various known and inherent risk, and current economic conditions.

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We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

- The disclosure of long-term investments and related net return on investments in Note 5 to the financial statements.
- The disclosure of endowment fund investment and spending policies under Florida UPMIFA in Note 10 to the financial statements.
- The disclosure of fair value measurements in Note 16 to the financial statements.

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

Difficulties Encountered in Performing the Audit:

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

Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Appendix A summarizes an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, we proposed certain reclassification entries for proper financial statement presentation. Management agreed with our proposed adjustments and requested we record them as part of our audit.

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 31, 2016.

Management Consultations with Other Independent Accountants:

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

Other Audit Findings or Issues:

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

Other Matters

With respect to the following supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. This supplementary information includes:

- a. Schedules of Student Housing System Revenues and Expenses
- b. Schedules of Financial Position (Excluding the Student Housing System)
- c. Schedules of Other Program Services and General and Administrative Expenses

The following supplementary information was not subjected to auditing procedures applied in the audit of financial statements:

- d. Chairs Under Eminent Scholars Program - Schedule of Receipts, Expenses and Endowment Balances, certified by management
- e. Major Gifts Program - Schedule of Receipts, Expenses and Endowment Balances, certified by management

This information is intended solely for the use of the Foundation's audit committee, Board of Directors, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Pensacola, Florida
August 31, 2016

Appendix A
University of West Florida Foundation, Inc.
Schedule of Uncorrected Misstatement

Proposed JE # 301

To record realized loss for the Harbert Real Estate Fund V.

28-42300	REALIZED GAIN/LOSS	171,301.00	
10-14601	HARBERT REAL ESTATE V		171,301.00
Total		<u>171,301.00</u>	<u>171,301.00</u>

UWF Board of Trustees Meeting
 Audit & Compliance Committee
 November 18, 2016

Issue: Internal Auditing PCard Audit Reports
 Quarter 1 Update (July 2016 – September 2016)
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 425 PCard holders distributed across 145 departments.

Notable Strengths

Files were well organized. Staff was well trained in PCard procedures. There was strong separation of duties.

Results for Quarter 1 (July - September 2016)

Five departments¹ encompassing 25 cardholders were examined on a sample basis. Individual reports were distributed to department heads and Procurement & Contracts upon completion of the audits. The totals below show the volume of activity occurring for these twelve departments and the amount tested. All reports are available from Internal Auditing.

Number of Departments Reviewed	Number of Cardholders	Number of Transactions Occurring	Number of Transactions Tested	Total PCard Expenditures of Depts.	Total PCard Transactions Tested
5	25	1,340	334	\$441,557	\$265,193
Audit Opinion for the PCard Audit¹					
EXCELLENT	GOOD	FAIR	POOR	Total	
0	3	1	1	5	

¹ Departments audited (listed by audit opinion): **Good** – Art, Military and Veterans Resource Center, Continuing Education; **Fair** – Clinical Laboratory Sciences; **Poor** – University Commons.

Most Common Findings for Quarter 3 (January - March 2016)

1. The Department Head did not review and sign the monthly reconciliation reports.
2. Transactions were allowed to auto-post.
3. The JP Morgan bank statement was not reviewed during the reconciliation process.

Recommendation: Acceptance of the Internal Auditing PCard Reports for the First Quarter of Fiscal Year 2016-2017.

Implementation: For PCard audit reports issued during the first quarter (July - September 2016), management will implement corrective actions to be completed in fiscal year 2016/17. Internal Auditing will follow up to determine if adequate corrective actions occurred.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Prepared by: Elizabeth Mrachek, PCard Auditor, 850-474-2639, emrachek@uwf.edu

Presenter: Betsy Bowers, Associate Vice President, Internal Auditing & Compliance

UWF Board of Trustees Meeting
Audit & Compliance Committee
November 18, 2016

Issue: Internal Auditing & Compliance -Update on Activities
Proposed action: Informational

To provide the Committee with an overview of activities within Internal Auditing & Compliance.

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

Recommendation: Information only

Implementation: None

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

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