

**UWF BUSINESS ENTERPRISES, INC.**

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2017 AND 2016**

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**TABLE OF CONTENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF NET POSITION</b>	<b>12</b>
<b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>13</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>14</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>15</b>
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>28</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE I – SCENIC HILLS COUNTRY CLUB EXPENSES</b>	<b>30</b>
<b>SCHEDULE II – FOOD SERVICE MANAGEMENT EXPENSES</b>	<b>31</b>
<b>SCHEDULE III – DONATIONS TO THE UNIVERSITY OF WEST FLORIDA</b>	<b>32</b>
<b>SCHEDULE IV – GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>33</b>
<b>SCHEDULE V – PARKING AND TRANSPORTATION MANAGEMENT EXPENSES</b>	<b>34</b>
<b>SCHEDULE VI – BOOKSTORE MANAGEMENT EXPENSES</b>	<b>35</b>
<b>SCHEDULE VII – BUILDING EIGHT EXPENSES</b>	<b>36</b>
<b>SCHEDULE VIII – DIGITAL SIGN EXPENSES</b>	<b>37</b>
<b>SCHEDULE IX – DEPRECIATION EXPENSES</b>	<b>38</b>

## 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, 2017 and 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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, 2017 and 2016, 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 October 30, 2017, 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*

**CliftonLarsonAllen LLP**

Orlando, Florida  
October 30, 2017

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017, 2016, AND 2015**

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, 2017, 2016, and 2015. 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 27.

### **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, 2017.

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, 2017, 2016, AND 2015**

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 1, 2015 through June 30, 2016 and July 1, 2016 through June 30, 2017. 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>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Total Assets, Excluding Capital Assets	\$ 2,967,024	\$ 2,755,061	\$ 2,695,266
Capital Assets, Net	<u>6,469,647</u>	<u>6,630,409</u>	<u>7,600,712</u>
<b>Total Assets</b>	<u><u>\$ 9,436,671</u></u>	<u><u>\$ 9,385,470</u></u>	<u><u>\$ 10,295,978</u></u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 586,484	\$ 614,345	\$ 1,293,989
Long-Term Liabilities	<u>6,833,579</u>	<u>7,115,867</u>	<u>7,596,831</u>
<b>Total Liabilities</b>	7,420,063	7,730,212	8,890,820
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,033,129	1,981,807	2,069,558
Unrestricted Deficit	<u>(16,521)</u>	<u>(326,549)</u>	<u>(664,400)</u>
Total Net Position	<u>2,016,608</u>	<u>1,655,258</u>	<u>1,405,158</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 9,436,671</u></u>	<u><u>\$ 9,385,470</u></u>	<u><u>\$ 10,295,978</u></u>

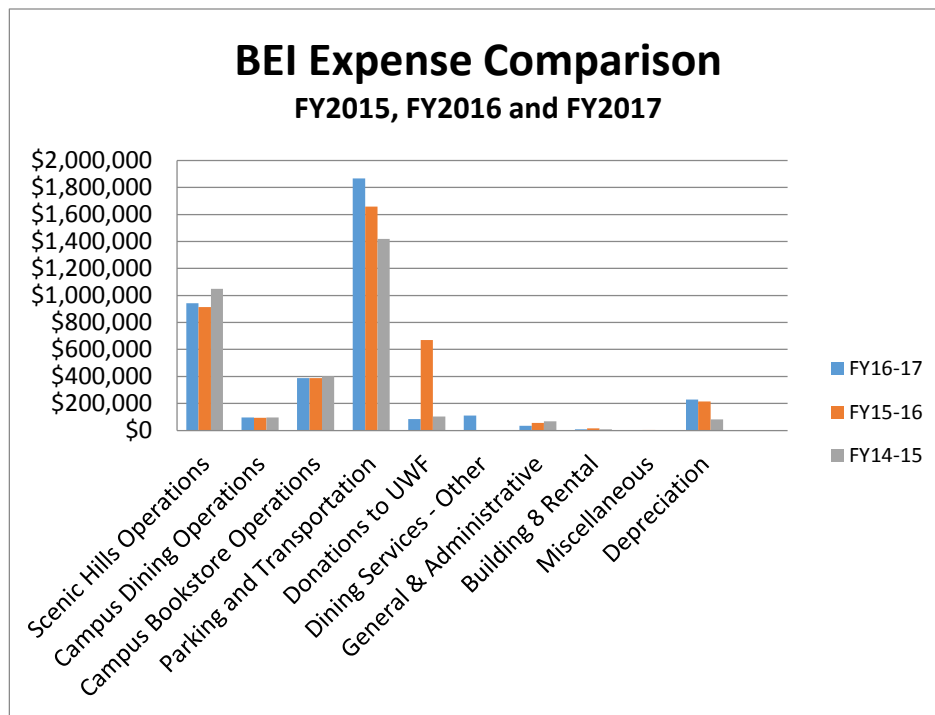
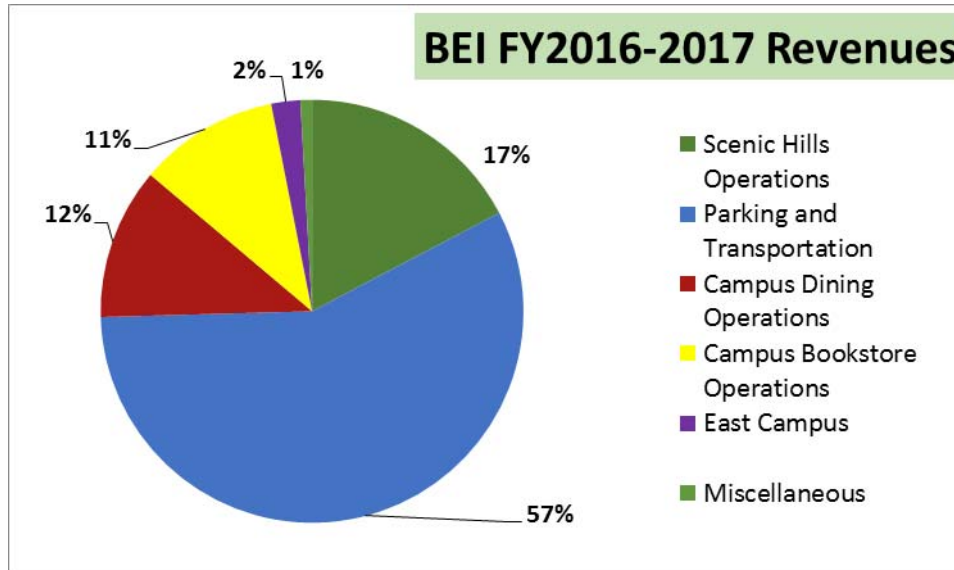
**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2017, 2016, AND 2015**

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

	2017	2016	2015
<b>REVENUES</b>			
Golf Course Sales	\$ 723,473	\$ 870,606	\$ 984,057
Food Service Commissions	119,288	117,044	117,833
Bookstore Commissions	388,563	397,899	409,197
Revenues from Service and Management			
Arrangement Income	425,719	413,350	221,182
Parking and Transportation	2,393,448	2,535,181	2,567,007
Building Eight Rent	20,513	20,310	20,310
Argonaut Village Rent	93,053	28,071	-
Digital Sign	6,324	4,635	892
Contributions In-Kind	4,077	5,756	6,794
Miscellaneous	6,056	6,709	6,013
Total Revenues	4,180,514	4,399,561	4,333,285
<b>EXPENSES</b>			
Golf Course Operations	926,703	875,787	997,174
Golf Course Pro Shop Cost of Sales	16,788	38,309	51,676
Food Service Management	97,244	95,000	95,789
Food Service - Other	110,316	-	-
Bookstore Management	388,563	388,833	402,449
Parking and Transportation Service			
(Inclusive of Bad Debt)	1,866,746	1,658,365	1,418,908
General and Administrative	34,428	56,661	68,028
Donations to the University of West Florida	84,637	670,798	104,202
Building Eight	8,581	15,064	8,651
Digital Sign	2,356	3,002	-
Depreciation	229,730	215,087	82,949
Total Expenses	3,766,092	4,016,906	3,229,826
<b>NONOPERATING EXPENSES</b>	(53,072)	(132,555)	(156,710)
Change in Net Position	361,350	250,100	946,749
Net Position - July 1	1,655,258	1,405,158	458,409
<b>NET POSITION - JUNE 30</b>	\$ 2,016,608	\$ 1,655,258	\$ 1,405,158



**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2017, 2016, AND 2015**



**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2017, 2016, AND 2015**

**Financial Highlights**

BEI earned the first full year of rental income from the East Campus/Argonaut Village facility in FY16-17. Rental income in FY15-16 was 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 continued to earn a small amount of income in FY16-17 from mobile laundry and dry cleaning services and digital signs, including the monument sign at the East Campus/Argonaut Village. The Building 8 lease agreement was renewed effective July 1, 2016, for an additional three (3) years. Scenic Hills Country Club (SHCC) revenues continued to decline, and operating expenses increased in FY16-17 primarily from the costs associated with the management arrangement with the dining services vendor to provide food and beverage and event services for SHCC. The Bookstore commissions continued to decline in FY16-17 compared to FY15-16 and FY14-15, which 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 continued to increase in FY16-17 compared to FY15-16 and FY14-15 due to increased administrative and operating costs. BEI recorded an adjustment to fixed assets for the capital investment made by the dining services vendor for the East Campus/Argonaut Village facility which included reclassifying a portion of the investment to expense in FY16-17. The capital investment made by the dining services vendor for the Nautilus Market renovation was donated by BEI to the University in FY16-17 and 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 current balance of this loan is \$917,681. 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.

<b>Scenic Hills Country Club Key Facts</b>	<b>FY 2016-17</b>	<b>FY 2015-16</b>	<b>FY 2014-15</b>
UWF Events/Meetings held	5	13	15
UWF Fundraisers held	2	2	5
Capital Investments	\$51,925	\$-0-	\$-0-
Memberships – Golf	167	160	108
Memberships - Social	12	17	24
Member Events/Meetings Held	18	23	25
Rain (Inclement Weather) Days	94	104	85

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 as of June 30, 2016, and subsequently to 179 members as of the years ended June 30, 2017.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2017, 2016, AND 2015**

SHCC installed two (2) new pumps for the irrigation system and completed several repairs and maintenance projects for the facility in FY16-17. In the spring of 2017, SHCC entered into a short-term contract for the services of a greens consultant to develop an improved agronomic plan. The Florida State Golf Association completed the updated USGA course rating for Scenic Hills Country Club in the spring of 2017.

In May 2017, BEI received a formal offer to purchase SHCC for \$1.0 million. The purchase and sale agreement between BEI and the buyer was fully executed in July 2017 and closing on the sale of SHCC is scheduled to occur August 31, 2017.

**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. Three (3) retail units are in operation, one (1) retail unit opened but subsequently closed, and one (1) retail unit is currently under construction and scheduled to open for business in early September 2017. A retail property broker, under contract with the dining services vendor, is seeking a tenant for the Building 1 anchor space and a replacement tenant for the vacated retail unit in Building 2.

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 \$84,637, \$670,798 and \$104,202 for the years ended June 30, 2017, 2016, and 2015, respectively. 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, \$352,707, \$374,752, \$396,796 remained unearned as of June 30, 2017, 2016, and 2015, respectively.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2017, 2016, AND 2015**

In FY16-17, BEI and the bookstore operations vendor entered into Amendment Number Three to the Bookstore Operating Agreement with an effective date of November 15, 2016. Amendment Number Three provides the following terms: extends the contract for an additional two (2) year period through September 30, 2024; confirms the remaining unamortized balance of the initial contribution made in October 2012 will continue to be amortized through September 30, 2022; increases the commission rate for the period from July 1, 2022, through the end of the contract term; and provides for an investment of \$300,000 to be allocated to the build out of the Argonaut Village Argo Fan Shop and renovations to the main campus bookstore.

The UWF bookstore vendor fully supports the efforts of the Textbook Affordability legislation and works collaboratively with the Provost, the library, college deans, and department chairs with the goal of reducing cost variance among similar courses, improving and expanding cost-reducing initiatives, and improving compliance for textbook and instructional materials posting deadline.

The Bookstore continues its partnership with UWF Intercollegiate Athletics and will again be the official provider of UWF emblematic merchandise at the 2017 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. Phase 3, which includes adding a new crosswalk location at the Village East residence hall, will occur in FY17-18.

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. Plans for Lot N were placed on hold so that an analysis/consultation could be performed to determine the need for a parking garage versus additional surface parking lots.

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.

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.

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

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2017, 2016, AND 2015**

**Investments**

The East Campus/Argonaut Village facility construction of the building shell level has been completed. The expected build-out for the Argo Fan Shop will be completed in early fall of 2017. The build-out for the Building 1 anchor space will be completed when a tenant for the space is identified. 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 approximately \$4 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 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. Another tenant began operations but subsequently closed. One (1) tenant is currently in the final stages of build-out construction. The anchor location and the recently vacated unit are currently unassigned.

**Other Items**

BEI has continued to focus strategically on the East Campus/Argonaut Village development. The hotel and conference center, townhouse and zero-lot line leased residences, electric vehicle pilot program, and west campus retirement village projects continue to remain on hold.

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

**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, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 320,236	\$ 220,192
Accounts Receivable, Net	234,241	158,921
Due from the University of West Florida, Net	2,397,790	2,348,494
Inventory	5,568	14,914
Prepaid Expenses	9,189	12,540
Total Current Assets	2,967,024	2,755,061
<b>CAPITAL ASSETS</b>		
Total Assets	\$ 9,436,671	\$ 9,385,470
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 43,947	\$ 83,101
Accrued Liabilities	47,542	50,281
Note Payable - Current Portion	42,789	40,781
Capital Lease Obligation - Current Portion	4,444	4,790
Unearned Commission Income - Current Portion	22,044	22,044
Unearned Service and Management Arrangement Income - Current Portion	425,718	413,348
Total Current Liabilities	586,484	614,345
<b>LONG-TERM LIABILITIES</b>		
Note Payable - Less Current Portion	874,892	917,682
Capital Lease Obligation - Less Current Portion	-	4,445
Unearned Commission Income - Less Current Portion	330,663	352,708
Unearned Service and Management Arrangement Income - Less Current Portion	5,628,024	5,841,032
Total Long-Term Liabilities	6,833,579	7,115,867
Total Liabilities	7,420,063	7,730,212
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,033,129	1,981,807
Unrestricted Deficit	(16,521)	(326,549)
Total Net Position	2,016,608	1,655,258
Total Liabilities and Net Position	\$ 9,436,671	\$ 9,385,470

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, 2017 AND 2016**

	2017	2016
<b>REVENUES</b>		
Golf Course Sales	\$ 723,473	\$ 870,606
Food Service Commissions	119,288	117,044
Bookstore Commissions	388,563	397,899
Revenues from Service and Management Arrangements	425,719	413,350
Parking and Transportation	2,393,448	2,535,181
Building Eight Rent	20,513	20,310
Argonaut Village Rent	93,053	28,071
Digital Sign	6,324	4,635
Contributions and In-Kind	4,077	5,756
Miscellaneous Income	6,056	6,709
Total Revenues	4,180,514	4,399,561
<b>EXPENSES</b>		
Golf Course Operations	926,703	875,787
Golf Course Pro Shop Cost of Sales	16,788	38,309
Food Service Management	97,244	95,000
Food Service - Other	110,316	-
Bookstore Management	388,563	388,833
Parking and Transportation Service	1,866,746	1,658,365
General and Administrative	34,428	56,661
Donations to the University of West Florida	84,637	670,798
Building Eight	8,581	15,064
Digital Sign	2,356	3,002
Depreciation	229,730	215,087
Total Expenses	3,766,092	4,016,906
<b>NET OPERATING INCOME</b>	414,422	382,655
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Write Off of Construction in Progress	-	(84,418)
Gain (Loss) on Disposal of Capital Assets	(13,085)	465
Other Income	6,837	-
Interest Expense	(46,824)	(48,602)
Total Nonoperating Revenues (Expenses), Net	(53,072)	(132,555)
<b>CHANGE IN NET POSITION</b>	361,350	250,100
Net Position - Beginning of Year	1,655,258	1,405,158
<b>NET POSITION - END OF YEAR</b>	\$ 2,016,608	\$ 1,655,258

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, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Others	\$ 3,694,801	\$ 3,148,469
Cash Paid to Leased Employees for Services	(438,516)	(440,074)
Cash Paid to Suppliers and Others	(3,011,919)	(3,137,803)
Net Cash Provided (Used) by Operating Activities	244,366	(429,408)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Capital Debt	(40,782)	(38,743)
Interest Paid on Capital Debt	(46,824)	(48,602)
Repayments of Obligations Under Capital Leases	(4,791)	(4,790)
Purchase of Capital Assets	(51,925)	-
Proceeds from Sale of Capital Assets	-	465
Net Cash Used by Capital and Related Financing Activities	(144,322)	(91,670)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	100,044	(521,078)
Cash and Cash Equivalents - Beginning of Year	220,192	741,270
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 320,236	\$ 220,192
<b>RECONCILIATION OF CHANGE IN NET OPERATING INCOME PROVIDED BY OPERATIONS</b>		
Net Operating Income	\$ 414,422	\$ 382,655
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	229,730	215,087
Contract Overage Loss	110,316	-
Bad Debt Provision	48,709	134,463
Donation of Assets	84,637	670,798
Changes in:		
Accounts Receivable	(124,029)	(74,246)
Due to/from the University of West Florida	(49,296)	(672,105)
Inventory	9,346	36,207
Prepaid Expenses	3,351	(5,192)
Accounts Payable	(32,317)	(15,071)
Accrued Liabilities	(2,739)	(574,970)
Unearned Commission Income	(22,045)	(22,044)
Deferred Membership Dues	-	(48,874)
Unearned Service and Management Arrangement Income	(425,719)	(456,116)
Net Cash Provided (Used) by Operating Activities	\$ 244,366	\$ (429,408)
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Construction in Process Acquired from Service and Management Arrangements	\$ 114,765	\$ -

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, 2017 AND 2016**

**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.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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.

BEI 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:

	2017	2016
Beginning Balance	\$ 192,744	\$ 80,574
Current Year Provision	48,709	134,463
Write Offs of Accounts	(128,539)	(22,293)
Ending Balance	<u>\$ 112,914</u>	<u>\$ 192,744</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:

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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, 2017 and 2016. 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**

On August 31, 2017, BEI entered into a Sale Agreement with an unrelated party to sell Scenic Hills Country Club and Golf Course. UWF BEI will sell substantially all the related assets and will be relieved of the related mortgage for an agreed purchase price of \$1,000,000. BEI expects to incur a loss of approximately \$1,080,000 on the sale of this property.

In preparing these financial statements, BEI has evaluated events and transactions for potential recognition or disclosure through October 30, 2017, 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, 2017 AND 2016**

**NOTE 2 CAPITAL ASSETS**

Capital assets consisted of the following at June 30, 2017:

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 393,162	\$ -	\$ -	\$ -	\$ 393,162
Parking Lot	600,000	-	-	-	600,000
Buildings	5,551,870	-	-	(97,336)	5,454,534
Golf Course Improvements	344,808	46,725	(16,974)	-	374,559
Maintenance Equipment	23,014	-	-	-	23,014
Furniture and Fixtures	131,316	5,200	-	127,464	263,980
Office Equipment	6,606	-	-	-	6,606
Exterior Sign	11,392	-	-	-	11,392
Software, under Capital Lease	20,753	-	-	-	20,753
Construction in Progress	-	114,765	(84,637)	(30,128)	-
	<u>7,082,921</u>	<u>166,690</u>	<u>(101,611)</u>	<u>-</u>	<u>7,148,000</u>
Less: Accumulated Depreciation	(452,512)	(229,730)	3,889	-	(678,353)
Total	<u>\$ 6,630,409</u>	<u>\$ (63,040)</u>	<u>\$ (97,722)</u>	<u>\$ -</u>	<u>\$ 6,469,647</u>

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>

Depreciation expense amounted to \$229,730 and \$215,087 for the years ended June 30, 2017 and 2016, respectively, and includes amortization expense of \$4,151 for each year for the above equipment under capital leases.

During the years ended June 30, 2017 and 2016, BEI donated Capital Investments in the amount of \$84,637 and \$670,798, 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, 2017 AND 2016**

**NOTE 3 LONG-TERM LIABILITIES**

Changes in long-term liabilities were as follows at June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note Payable	\$ 958,463	\$ -	\$ (40,782)	\$ 917,681	\$ 42,789
Capital Lease Obligation	9,235	-	(4,791)	4,444	4,444
Unearned Commission Income	374,752	-	(22,045)	352,707	22,044
Unearned Service and Management Arrangement Income	6,254,380	225,081	(425,719)	6,053,742	425,718
Total	<u>\$ 7,596,830</u>	<u>\$ 225,081</u>	<u>\$ (493,337)</u>	<u>\$ 7,328,574</u>	<u>\$ 494,995</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
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	-	(413,350)	6,254,380	413,348
Total	<u>\$ 8,124,631</u>	<u>\$ -</u>	<u>\$ (527,801)</u>	<u>\$ 7,596,830</u>	<u>\$ 480,963</u>

The note payable consisted of a bank loan with an original principal balance of \$1.1 million at 3.95% interest, amortized over 20 years with a three year balloon payment. 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:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 42,789	\$ 43,261	\$ 86,050
2019	44,896	41,154	86,050
2020	829,996	39,050	869,046
Total	<u>\$ 917,681</u>	<u>\$ 123,465</u>	<u>\$ 1,041,146</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 3 LONG-TERM LIABILITIES (CONTINUED)**

BEI is party to a capital lease agreement for software which expires in 2018. As of June 30, 2017 and 2016, the cost of the equipment under capital lease was \$20,753 and related accumulated amortization was \$14,873 and \$10,722, 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>	Amount
2018	\$ 5,640
Less: Amount Representing Interest	<u>(1,196)</u>
Present Value of Minimum Lease Payments	4,444
Less: Current Maturity	<u>(4,444)</u>
Net Noncurrent Portion	<u><u>\$ -</u></u>

**NOTE 4 OPERATING LEASES**

BEI 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>	<u>Amount</u>
2018	\$ 24,466
2019	24,466
2020	22,428
Total	<u><u>\$ 71,360</u></u>

Total rent expense of \$104,202 for the years ended June 30, 2017 and 2016 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. During fiscal year 2017, an additional \$225,081 was invested by the vendor related to various food service projects.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 5 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME (CONTINUED)**

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.

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

	<u>2017</u>	<u>2016</u>
Unamortized Unearned Income from Dining Services Agreement - Note 7	\$ 5,738,742	\$ 5,879,380
Unamortized Unearned Income from Bookstore Services Agreement - Note 8	<u>315,000</u>	<u>375,000</u>
Total Unearned Income from Service and Management Arrangements	<u>\$ 6,053,742</u>	<u>\$ 6,254,380</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, 2017 AND 2016**

**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, 2017 and 2016, \$84,637 and \$670,798, 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 years ended June 30, 2017 and 2016, was \$93,053 and \$28,071, respectively.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 7 ASSIGNMENT OF DINING SERVICES (CONTINUED)**

As of June 30, 2017 and 2016, BEI has recognized \$365,719 and \$353,350, respectively in earned revenue from the vendor investments. During the years ended June 30, 2017 and 2016, BEI recognized \$84,637 and \$670,798, respectively, in donations to the University related to dining services. The following is a roll forward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Unearned Service and Management Arrangement Income - Beginning of Year	\$ 5,879,380	\$ 6,232,730
Add: Capital Improvements under Service and Management Arrangements	225,081	-
Amortization of Unearned Income	<u>(365,719)</u>	<u>(353,350)</u>
Unearned Service and Management Arrangement Income - End of Year	<u>\$ 5,738,742</u>	<u>\$ 5,879,380</u>

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 \$352,707 and \$374,752 at June 30, 2017 and 2016, respectively.

**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.

Under the contract, a \$600,000 initial contribution was provided to BEI by the bookstore operations vendor. This initial contribution was recorded as unearned income and is being amortized on a straight line basis over the 10 year contract period. The bookstore operations vendor has also agreed to invest up to an additional \$300,000 for store upgrades throughout various campus locations. The vendor has spent approximately \$20,166 during the year ended June 30, 2017 related to these upgrades.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 8 ASSIGNMENT OF BOOKSTORE OPERATIONS (CONTINUED)**

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, 2017 and 2016, 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, 2017 and 2016, BEI has recognized \$60,000 in bookstore contract revenue. The following is a roll forward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	2017	2016
Unearned Service and Management Arrangement		
Income - Beginning of Fiscal Year	\$ 375,000	\$ 435,000
Less: Amortization of Unearned Income	(60,000)	(60,000)
Unearned Service and Management Arrangement		
Income - End of Year	\$ 315,000	\$ 375,000

The contract amendment also calls for commissions to be paid to BEI based upon sales by the bookstore operations vendor on a sliding scale from 10.25% on the first \$5 million of sales to 12.25% for sales in excess of \$7.5 million with a minimum annual guarantee of \$425,000 for fiscal years ended June 30, 2013, (which includes commissions earned from July 1, 2012, until the effective date of the contract amendment) and June 30, 2014. For the fiscal years commencing July 1, 2014, and beyond, the minimum annual guarantee shall be equal to 90% of the previous year's calculated commission amount. During the years ended June 30, 2017 and 2016, total commissions amounted to \$388,563 and \$397,899, respectively. These commissions are presented in the accompanying statements of revenues, expenses, and changes in net position.

**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.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 9 ASSIGNMENT OF PARKING OPERATIONS (CONTINUED)**

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.

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

**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 three years commencing on July 1, 2016 through June 30, 2019. The annual rent is \$20,513, \$20,718, and \$20,925, respectively, for the three fiscal years.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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, 2017 and 2016. BEI is not aware of any liabilities related to these risks as of June 30, 2017.

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, 2017 and 2016.

**NOTE 13 IN-KIND CONTRIBUTIONS**

Rent for space utilized by BEI and owned by the University was recorded for \$4,075 and \$2,654, respectively, for each of the years ended June 30, 2017 and 2016. In addition, \$3,102 was recorded for food and beverage services donated to BEI for the year ended June 30, 2016; there was no food and beverages services donated to BEI for the year ended June 30, 2017.

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 \$3,910 and \$13,726 for services and costs during the year ended June 30, 2017 and 2016. For the years ended June 30, 2017 and 2016, BEI disbursed \$97,244 and \$95,000, respectively, to the University for food service management pursuant to the Agreement discussed in Note 7. For the years ended June 30, 2017 and 2016, BEI disbursed \$388,563 and \$388,833, respectively, to the University for bookstore management pursuant to the Agreement discussed in Note 8. For the years ended June 30, 2017 and 2016, BEI incurred expenses totaling \$1,819,712 and \$1,526,020, 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, 2017, and the related notes to the financial statements, which collectively comprise BEI's basic financial statements, and have issued our report thereon dated October 30, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**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  
October 30, 2017

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE I – SCENIC HILLS COUNTRY CLUB EXPENSES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2017</u>	<u>2016</u>
Administrative Expenses	\$ 6,632	\$ 7,057
Advertising and Promotion	-	5,320
Armored Truck Charges	-	1,119
Bad Debt Provision	1,675	2,118
Bank Service Charges	12,178	13,529
Carts Expense	92,322	95,377
Computer	7,713	7,491
Course Maintenance	116,343	109,639
Dues and Subscriptions	1,932	1,827
Equipment Expense	2,475	330
Insurance	33,703	23,922
Marketing Expense	9,754	12,797
Miscellaneous	575	320
Office Supplies	164	427
Postage	872	1,357
Pro Shop Expenses	2,437	784
Professional Fees	8,888	-
Repairs and Maintenance	21,644	19,171
Restaurant Expense	51,443	-
Staff Leasing	438,516	440,074
Taxes and Licenses	5,508	6,807
Utilities	111,929	126,321
Total	<u>\$ 926,703</u>	<u>\$ 875,787</u>



**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE II – FOOD SERVICE MANAGEMENT EXPENSES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2017</u>	<u>2016</u>
Contractual Services - UWF	\$ 97,244	\$ 95,000
Total	<u>\$ 97,244</u>	<u>\$ 95,000</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, 2017 AND 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2017</u>	<u>2016</u>
Dining Services Capital Improvements	<u>\$ 84,637</u>	<u>\$ 670,798</u>
Total	<u><u>\$ 84,637</u></u>	<u><u>\$ 670,798</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, 2017 AND 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2017</u>	<u>2016</u>
Administrative Expenses	\$ 2,320	\$ 4,144
Advertising and Promotion	344	463
Computer	748	5,750
Office Supplies	4,241	2,918
Other University Support	76	16,481
Postage	261	271
Professional Fees	24,627	25,207
Taxes and Licenses	61	101
Travel and Entertainment	1,697	1,205
Utilities	53	121
Total	<u>\$ 34,428</u>	<u>\$ 56,661</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, 2017 AND 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2017</u>	<u>2016</u>
Bad Debt Expense	\$ 47,034	\$ 132,345
Contractual Services-UWF	<u>1,819,712</u>	<u>1,526,020</u>
Total	<u>\$ 1,866,746</u>	<u>\$ 1,658,365</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VI – BOOKSTORE MANAGEMENT EXPENSES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2017</u>	<u>2016</u>
Contractual Services-UWF	<u>\$ 388,563</u>	<u>\$ 388,833</u>
Total	<u><u>\$ 388,563</u></u>	<u><u>\$ 388,833</u></u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VII – BUILDING EIGHT EXPENSES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2017</u>	<u>2016</u>
Insurance	\$ 2,595	\$ 2,752
Repairs and Maintenance	32	1,171
Utilities	<u>5,954</u>	<u>11,141</u>
Total	<u>\$ 8,581</u>	<u>\$ 15,064</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VIII – DIGITAL SIGN EXPENSES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2017</u>	<u>2016</u>
Utilities	\$ 2,356	\$ 3,002
Total	<u>\$ 2,356</u>	<u>\$ 3,002</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE IX – DEPRECIATION EXPENSES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2017</u>	<u>2016</u>
Building Eight	\$ 3,593	\$ 3,593
Scenic Hills Country Club	86,545	85,244
Argonaut Village	<u>139,592</u>	<u>126,250</u>
Total	<u>\$ 229,730</u>	<u>\$ 215,087</u>