

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**PENSACOLA, FLORIDA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**PENSACOLA, FLORIDA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
West Florida Historic Preservation, Inc.  
Pensacola, Florida

We have audited the accompanying statement of financial position of West Florida Historic Preservation, Inc., (a component unit of the University of West Florida), as of June 30, 2005, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of West Florida Historic Preservation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Florida Historic Preservation, Inc. as of June 30, 2005, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2005, on our consideration of West Florida Historic Preservation, Inc.'s internal control over financial reporting and tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Directors  
West Florida Historic Preservation, Inc.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of West Florida Historic Preservation, Inc., taken as a whole. The schedule of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Pensacola, Florida  
August 17, 2005

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

Board of Directors  
West Florida Historic Preservation, Inc.  
Pensacola, Florida

We have audited the financial statements of West Florida Historic Preservation, Inc., (a component unit of the University of West Florida) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 17, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Florida Historic Preservation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect West Florida Historic Preservation, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is as follows:

*Segregation of Duties*

*Auditor's Comment:*

Due to the small size of West Florida Historic Preservation, Inc.'s office, there is a lack of segregation of duties among the staff. The lack of segregation creates instances in which one individual may perform both custodial and recording functions with certain assets. The basic premise of internal control is that no one employee should have access to both physical assets and related accounting records or to all phases of a transaction. Some examples of significant areas in which a lack of segregation of duties exists are as follows:

Board of Directors  
West Florida Historic Preservation, Inc.  
Pensacola, Florida

- The Business Manager enters the receipts for funding into the accounting system and prepares the bank reconciliation, which is reviewed by the Interim Director.
- The Business Manager prepares checks for disbursements, (after approval by the Interim Director), mails the checks, enters the payments into the accounting system, and prepares the bank reconciliation, which is reviewed by the Interim Director.

We suggest that management continue to review its internal control structure and segregate duties among its staff to the greatest extent possible. Individuals outside of accounting may be used to mitigate situations where incompatible duties exist. Due to the limited segregation of duties, we recommend that management and the Board of Directors periodically discuss areas in which West Florida Historic Preservation, Inc. may be vulnerable to fraud and develop and implement processes to help mitigate these risks as they arise.

*Management's Response:*

About six years ago a decision was made to consolidate the duties of business manager and accountant. Since that time the organization has continued to receive clean audit reports due to the high level of staff competency. We recognize the validity of the auditor's concern, but the small size of our staff and the highly specialized areas of staff responsibility preclude a change in the immediate future.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

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

Board of Directors  
West Florida Historic Preservation, Inc.  
Pensacola, Florida

This report is intended solely for the information and use of the Board of Directors and management of West Florida Historic Preservation, Inc., the University of West Florida, and applicable governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Saltmarsh Cleveland & Gund*

Pensacola, Florida  
August 17, 2005

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2005**

**ASSETS**

**Current Assets:**

Cash	\$ 445,845
Asset whose use is limited for debt service	446,499
Due from University of West Florida	299,487
Grants and local support receivable	17,600
Inventory	4,365
Total current assets	1,213,796

**Property and Equipment**

436,751

**Other Assets:**

Historical properties, antiques and collections	131,748
Deposits	952
Total other assets	132,700

**Total Assets**

\$ 1,783,247

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Note payable	\$ 375,000
Refundable advances	101,062
Accrued interest payable	2,749
Total current liabilities	478,811

**Commitments and Contingencies**

-

**Net Assets:**

Unrestricted	1,270,563
Temporarily restricted	33,873
Total net assets	1,304,436

**Total Liabilities and Net Assets**

\$ 1,783,247

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

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support and Revenue:</b>			
Public support:			
Grants and local support	\$ 96,447	\$ 644,503	\$ 740,950
Memberships	675	-	675
Total public support	<u>97,122</u>	<u>644,503</u>	<u>741,625</u>
Revenue:			
Admissions, including tours and school programs	33,615	-	33,615
Rents and leases	215,024	-	215,024
Interest and dividends	13,195	-	13,195
Museum store income, net	524	-	524
Miscellaneous	417	-	417
Total revenue	<u>262,775</u>	<u>-</u>	<u>262,775</u>
Net assets released from restrictions	<u>632,539</u>	<u>(632,539)</u>	<u>-</u>
Total public support and revenue	<u>992,436</u>	<u>11,964</u>	<u>1,004,400</u>
<b>Expenses:</b>			
Direct program services:			
Historic Pensacola Village and museum activities	43,576	-	43,576
Historic preservation and education programs	692,045	-	692,045
Total direct program services	<u>735,621</u>	<u>-</u>	<u>735,621</u>
Support services:			
Management and general	<u>140,093</u>	<u>-</u>	<u>140,093</u>
Total expenses	<u>875,714</u>	<u>-</u>	<u>875,714</u>
<b>Other:</b>			
Hurricane recovery costs, net of \$299,487 reimbursement	<u>33,276</u>	<u>-</u>	<u>33,276</u>
<b>Change in Net Assets</b>	83,446	11,964	95,410
<b>Net Assets, Beginning of Year</b>	<u>1,187,117</u>	<u>21,909</u>	<u>1,209,026</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,270,563</u>	<u>\$ 33,873</u>	<u>\$ 1,304,436</u>

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

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2005**

**Cash Flows From Operating Activities:**

Change in net assets	\$ 95,410
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities -	
Depreciation and amortization	31,800
Loss on disposal of assets	5,661
Changes in -	
Due from University of West Florida	(291,142)
Grants and local support receivable	(17,600)
Inventory	231
Deposits	(341)
Refundable advances	101,062
Accrued interest payable	(294)
Net cash used in operating activities	(75,213)

**Cash Flows From Investing Activities:**

Purchase of property and equipment	(805)
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**Cash Flows From Financing Activities:**

Change in assets whose use is limited for debt service	(9,772)
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**Net Decrease in Cash**

(85,790)

**Cash at Beginning of Year**

531,635

**Cash at End of Year**

\$ 445,845

**Supplemental Disclosures of Cash Flow Information:**

Cash paid during the year for interest	\$ 11,595
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The accompanying notes are an integral part of these financial statements.

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

*Organization and Purpose:*

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

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

West Florida Historic Preservation, Inc. assists UWF in operating, preserving and maintaining various historical properties owned by the State of Florida and controlled by UWF. Certain expenses related to these activities are directly paid by UWF and are not included in these financial statements. Those expenses, which are not reflected in these financial statements, are as follows:

Telephone	\$ 7,144
Operating supplies	11,043
Entertainment	8,526
Office equipment rental	6,192
Electricity	85,888
Natural gas	21,623
Sewer	21,680
Repairs and maintenance	392,558
Permits	19,522
Equipment	24,345
Other	<u>26,532</u>
Totals	<u><u>\$ 625,053</u></u>

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

*Organization and Purpose (Continued):*

Salaries of UWF employees who staff West Florida Historic Preservation, Inc. are paid directly by UWF. These in-kind salaries amounted to \$519,246 for the year ended June 30, 2005 and are not reflected in the books of West Florida Historic Preservation, Inc. Additionally, UWF donates office space in the Bowden Building located at 120 Church Street in downtown Pensacola, Florida to West Florida Historic Preservation, Inc. Management estimates the fair value of this donated office space to be approximately \$140,000 for the year ended June 30, 2005.

*Basis of Presentation:*

The accompanying financial statements of West Florida Historic Preservation, Inc., which are presented on the accrual basis of accounting, have been prepared to focus on West Florida Historic Preservation, Inc. as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Unrestricted net assets represent resources generated from operations, unrestricted donations, and lapse of temporary restrictions and are not subject to donor-imposed stipulations.

*Use of Estimates:*

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

*Cash and Cash Equivalents:*

Cash and cash equivalents include all highly-liquid investments purchased with an original maturity of ninety days or less.

*Inventory:*

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

*Property and Equipment:*

Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated market value on the date of contribution. Expenditures which equal or exceed \$400 that materially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance costs are charged to operations when incurred.

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

*Property and Equipment (Continued):*

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

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

*Historical Properties, Antiques, and Collections:*

Purchased historical properties, antiques, and collections are recorded at cost. Donated items are recorded at estimated fair market value when value is reasonably estimated. Specific gifts of antiques and collectibles for which a fair market value cannot be determined are valued at one dollar.

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

*Assets Whose Use is Limited for Debt Service:*

Assets whose use is limited for debt service is comprised of a certificate of deposit which was held as collateral under the terms of the note payable held by a local bank. The certificate of deposit had an interest rate of 3% and a maturity date of July 10, 2005.

*Public Support:*

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

*Income Taxes:*

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

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

*Donated Services, Materials, and Facilities:*

West Florida Historic Preservation, Inc. receives donated services from a variety of unpaid volunteers assisting in the museum and education programs. No amounts have been recognized in the accompanying statements of activities for these donated services in accordance with SFAS No. 116.

As discussed previously, UWF donates office space to West Florida Historic Preservation Inc.

**NOTE 2 - DUE FROM UNIVERSITY OF WEST FLORIDA**

On September 16, 2004, Hurricane Ivan made landfall near Pensacola, Florida, causing damage to certain historic properties managed by West Florida Historic Preservation, Inc. under its agreement with UWF. The restoration and repair costs, amounting to \$332,763, were paid by West Florida Historic Preservation, Inc. UWF has filed damage claims with the Federal Emergency Management Agency for reimbursement of 90% of these recovery costs, amounting to \$299,487, and will reimburse West Florida Historic Preservation, Inc. As of June 30, 2005, all significant repairs and renovations as a result of Hurricane Ivan have been completed.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

<u>Historic Pensacola Village</u>	
Land	\$ 315,000
Buildings and improvements	87,346
Furniture, fixtures and equipment	59,028
<u>General and Administrative</u>	
Furniture, fixtures and equipment	<u>202,061</u>
	663,435
Less accumulated depreciation	<u>226,684</u>
	<u>\$ 436,751</u>

Depreciation expense was \$31,800 for the year ended June 30, 2005.

**NOTE 4 - NOTE PAYABLE**

Note payable to bank, due July 10, 2005, interest at 3.0%, payable quarterly, secured by certificate of deposit	<u>\$ 375,000</u>
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Interest expense for the year ended June 30, 2005 was \$11,301.

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 4 - NOTE PAYABLE (Continued)**

*Subsequent Event:*

On July 10, 2005, the note payable was repaid as scheduled using proceeds from the collateralized certificate of deposit.

**NOTE 5 - REFUNDABLE ADVANCES**

Public support revenue from local governments and government grants is recorded based upon the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the performance of the services has been rendered. Amounts received by West Florida Historic Preservation, Inc. in advance of the incurrence of allowable costs or performance of services are recorded as refundable advances until such allowable costs are incurred or services are rendered. Refundable advances amounted to \$101,062 at June 30, 2005.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2005 are available for the following purposes:

Volunteer of Florida program	\$ 9,201
Old Christ Church fund	20,481
Donations and memorials	<u>4,191</u>
	<u>\$ 33,873</u>

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

*Uninsured Cash Balances:*

West Florida Historic Preservation, Inc.'s cash balances held by financial institutions are insured up to \$100,000 at each financial institution. At June 30, 2005, West Florida Historic Preservation, Inc. had cash balances of \$290,996 held by financial institutions in excess of insured limits.

*Dependency on Government Support:*

West Florida Historic Preservation, Inc. receives a substantial amount of support from UWF, and state and local government agencies. A reduction in the level of future support from these entities could have a substantial effect on West Florida Historic Preservation, Inc.'s programs and activities. As of June 30, 2005, management is unaware of any such reduction in future support.

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)**

*UWF Agreement:*

As discussed in Note 1, West Florida Historic Preservation, Inc., is committed to assist UWF under an operating agreement which extends for an indefinite term.

**SUPPLEMENTARY INFORMATION**

**WEST FLORIDA HISTORIC PRESERVATION, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2005**

	Program Expenses			Supporting Services	Total Expenses
	Historic Pensacola Village	Preservation and Education Programs	Total Program Services	Management & General	
Depreciation	\$ 801	\$ -	\$ 801	\$ 30,999	\$ 31,800
Advertising	-	-	-	450	450
Professional fees and services	-	-	-	8,000	8,000
Dues and subscriptions	-	-	-	2,182	2,182
Insurance	-	-	-	4,233	4,233
Staff expense	-	-	-	32,950	32,950
Exhibit supplies and costs	26,149	-	26,149	-	26,149
Education programs/supplies	2,048	-	2,048	-	2,048
Maintenance, repairs and materials	-	-	-	1,792	1,792
Printing, postage and film	5,204	-	5,204	1,998	7,202
Special events expense	9,374	-	9,374	542	9,916
Renovations	-	663,208	663,208	511	663,719
Landscaping and grounds	-	28,789	28,789	4,038	32,827
Office supplies	-	-	-	10,376	10,376
Other vehicle expense	-	-	-	392	392
Taxes and licenses	-	-	-	12,281	12,281
Travel and auto allowance	-	-	-	9,942	9,942
Utilities	-	-	-	1,219	1,219
Interest expense	-	-	-	11,301	11,301
Other expenses	-	48	48	1,226	1,274
Loss on disposal of assets	-	-	-	5,661	5,661
Totals	<u>\$ 43,576</u>	<u>\$ 692,045</u>	<u>\$ 735,621</u>	<u>\$ 140,093</u>	<u>\$ 875,714</u>