

**UWF BUSINESS ENTERPRISES, INC.**

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2018 AND 2017**

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

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of UWF Business Enterprises, Inc. (BEI), (a component unit of the University of West Florida), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which comprise BEI's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BEI as of June 30, 2018 and 2017, 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 X are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors  
UWF Business Enterprises, Inc.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BEI's 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  
September 10, 2018

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018, 2017, AND 2016**

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 years ended June 30, 2018, 2017, and 2016. 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 28.

### **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 nonprofit 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, 2018.

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, 2018, 2017, AND 2016**

**Overview of the Financial Statements (Continued)**

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, 2016, through June 30, 2017, and July 1, 2017, through June 30, 2018. 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 X 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>2018</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Total Assets, Excluding Capital Assets	\$ 887,603	\$ 2,967,024	\$ 2,755,061
Capital Assets, Net	<u>3,778,700</u>	<u>6,469,647</u>	<u>6,630,409</u>
<b>Total Assets</b>	<u>\$ 4,666,303</u>	<u>\$ 9,436,671</u>	<u>\$ 9,385,470</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 553,754	\$ 586,484	\$ 614,345
Long-Term Liabilities	<u>6,650,555</u>	<u>6,833,579</u>	<u>7,115,867</u>
<b>Total Liabilities</b>	7,204,309	7,420,063	7,730,212
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,778,700	2,033,129	1,981,807
Unrestricted Deficit	<u>(6,316,706)</u>	<u>(16,521)</u>	<u>(326,549)</u>
Total Net Position	<u>(2,538,006)</u>	<u>2,016,608</u>	<u>1,655,258</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 4,666,303</u>	<u>\$ 9,436,671</u>	<u>\$ 9,385,470</u>

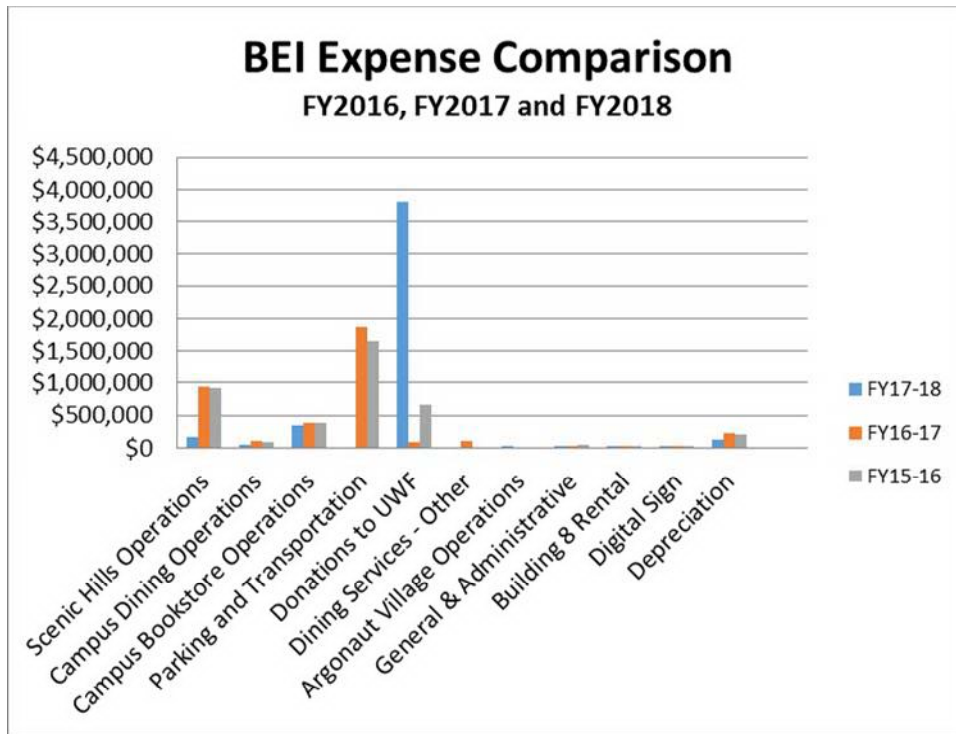
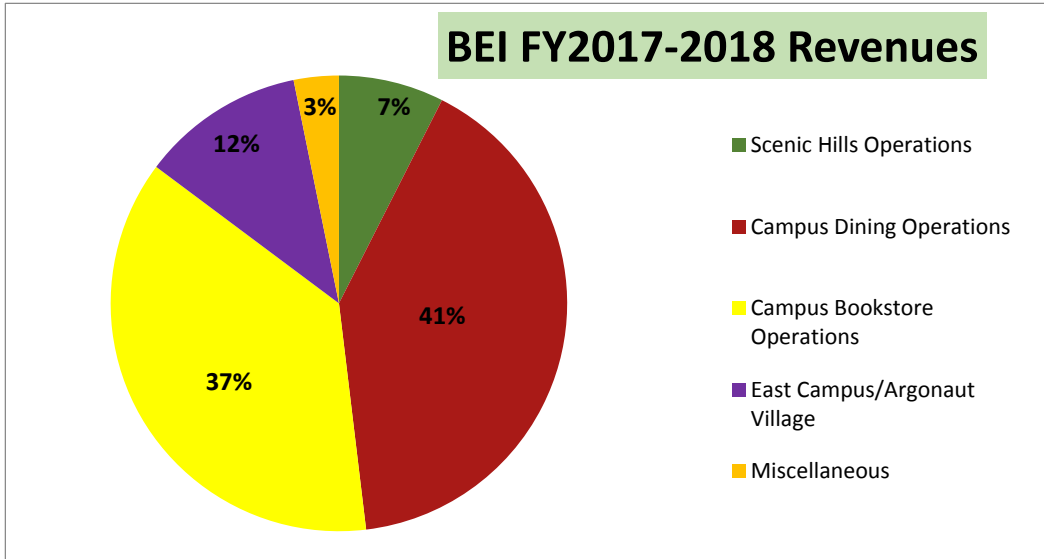
**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2018, 2017, AND 2016**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>			
Golf Course Sales	\$ 82,446	\$ 723,473	\$ 870,606
Food Service Commissions	66,279	119,288	117,044
Bookstore Commissions	350,121	388,563	397,899
Revenues from Service and Management			
Arrangement Income	442,544	425,719	413,350
Parking and Transportation	-	2,393,448	2,535,181
Building Eight Rent	20,718	20,513	20,310
Argonaut Village Rent	128,060	93,053	28,071
Digital Sign	3,993	6,324	4,635
Contributions In-Kind	4,407	4,077	5,756
Miscellaneous	6,025	6,056	6,709
Total Revenues	<u>1,104,593</u>	<u>4,180,514</u>	<u>4,399,561</u>
<b>EXPENSES</b>			
Golf Course Operations	158,377	926,703	875,787
Golf Course Pro Shop Cost of Sales	1,435	16,788	38,309
Food Service Management	47,908	97,244	95,000
Food Service - Other	-	110,316	-
Bookstore Management	350,121	388,563	388,833
Parking and Transportation Service			
(Inclusive of Bad Debt)	-	1,866,746	1,658,365
General and Administrative	36,190	34,428	56,661
Donations to the University of West Florida	3,813,079	84,637	670,798
Building Eight	10,168	8,581	15,064
Argonaut Village	22,183	-	-
Digital Sign	2,145	2,356	3,002
Depreciation	129,978	229,730	215,087
Total Expenses	<u>4,571,584</u>	<u>3,766,092</u>	<u>4,016,906</u>
<b>NONOPERATING EXPENSES</b>	<u>(1,087,623)</u>	<u>(53,072)</u>	<u>(132,555)</u>
<b>CHANGE IN NET POSITION</b>	(4,554,614)	361,350	250,100
Net Position - July 1	<u>2,016,608</u>	<u>1,655,258</u>	<u>1,405,158</u>
<b>NET POSITION - JUNE 30</b>	<u>\$ (2,538,006)</u>	<u>\$ 2,016,608</u>	<u>\$ 1,655,258</u>



**UWF BUSINESS ENTERPRISES, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2018, 2017, AND 2016**



**UWF BUSINESS ENTERPRISES, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2018, 2017, AND 2016**

**Financial Highlights**

The Main Campus Dining Agreement between BEI and the dining services vendor, originally executed in July 2013, and amended for the second time in FY14-15, was terminated on May 5, 2018. Upon notice of termination in November 2017, the Main Campus Dining Agreement was assigned to the University and all commissions earned under the remaining term of the agreement became University revenue. BEI entered into a dining services contract with a new dining services vendor effective May 6, 2018. BEI earned commission under the new agreement from May 6, 2018, through June 30, 2018. BEI also received an unrestricted grant and capital investment funds from the new dining services vendor to repay the former dining services vendor the unamortized balance of the capital investments and the balance of unearned advanced commission BEI received under the prior dining services agreement.

BEI earned rental income from the East Campus/Argonaut Village facility in FY16-17 and FY17-18 under the Lease Agreement with the former dining services vendor. Rental income in FY15-16 was pro-rated based on the subtenant leases executed during the first year of operations, per the terms of the Lease Agreement. Upon termination of the Lease Agreement on May 5, 2018, BEI began to earn rental income from the tenant leases. The gross revenues from the Starbucks located at the new facility continue to be factored into the commissions BEI receives from its dining services vendor.

BEI earned a small amount of income in FY17-18 from the digital signs, including the monument sign at the East Campus/Argonaut Village, and income from the second year of the Building 8 lease agreement renewed effective July 1, 2016. Scenic Hills Country Club (SHCC) operated for two (2) months in FY17-18, resulting in a net loss. BEI completed the sale of SHCC on August 31, 2017. BEI recorded a loss from the sale in FY17-18. The Bookstore commissions continued to decline in FY17-18, compared to FY16-17 and FY15-16, which resulted in a commensurate reduction in the amounts paid for Bookstore management. Parking and Transportation Services was reassigned to the University on July 1, 2017. BEI recorded a donation to the University in FY17-18, from the reassignment.

**Scenic Hills Country Club**

SHCC was purchased by BEI in June 2012, 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, to a five-year \$997,206 bank loan at 4.75% interest, amortized over 17 years with a balloon payment due June 30, 2020. The 2015 appraised value of SHCC was \$2.2 million. The \$1.1 million cash spent to purchase SHCC was from a signing incentive paid to BEI under the Main Campus Dining Agreement with the former dining services vendor.

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 the sale of SHCC was completed on August 31, 2017. The proceeds from the sale were sufficient to repay the balance of the bank loan. BEI recorded a loss from the sale of approximately \$1.08 million.

**UWF BUSINESS ENTERPRISES, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2018, 2017, AND 2016**

**Campus Bookstore and Dining**

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.

The Main Campus Dining Agreement between BEI and the dining services vendor, originally executed in July 2013, and amended for the second time in FY14-15, was terminated on May 5, 2018. The unamortized balance of the signing incentive received and all capital improvements made under the agreement as well as the balance of unearned commission advanced in FY12-13 as of the contract termination date became due and payable to the dining services vendor within a specified number of days.

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 coincided with the term of the Main Campus Dining Agreement between the dining services vendor and BEI. Under the Lease Agreement, BEI received a \$100,000 lease payment in July of each year, with a pro rata calculation for the first year of operation. The Lease Agreement was terminated effective May 5, 2018, to coincide with the termination of the Main Campus Dining Agreement.

BEI entered into a Management Services Contract with a new dining services vendor effective May 6, 2018. The initial term of the agreement is ten (10) years, with an option to extend for an additional five (5) years upon agreement of both parties. Under the Management Services Contract, BEI will be paid commission during each operating year of the agreement and capital investments will be made by the dining services vendor. Subsequent to the execution of the contract, BEI received \$6.1 million from the dining services vendor to repay the unamortized balance of the capital investments and the balance of unearned advanced commission BEI owed to the former dining services vendor upon termination of the Main Campus Dining Agreement. BEI also received \$900,000 as an unrestricted grant under the Management Services Contract to be used in furthering BEI's mission. The new dining services vendor also made a financial commitment to BEI in the agreement to invest \$3.575 million for dining facility renovations in FY18-19, to include the purchase and installation of food service equipment and signage. The \$6.1 million contract buyout funds, the \$900,000 unrestricted grant, and all other capital investments to be made under the agreement are recorded as unearned income and amortized to revenue on a straight-line basis (for the number of months remaining until May 2033) over the initial term of the contract. Upon expiration or termination of the Management Services Contract by either party prior to complete amortization of the capital investments disbursed as of the date of expiration or termination, BEI must reimburse the dining services vendor for the unamortized balances within 120 days.

**UWF BUSINESS ENTERPRISES, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2018, 2017, AND 2016**

**Campus Bookstore and Dining (Continued)**

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 and \$670,798 for the years ended June 30, 2017 and 2016, respectively.

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 and \$374,752 remained unearned as of June 30, 2017 and 2016, respectively. The unearned balance of \$334,337 was repaid to the former dining services vendor upon termination of the Main Campus Dining Agreement.

In FY16-17, BEI and the bookstore services 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. As of June 30, 2018, approximately \$292,000 was invested by the bookstore services vendor in the Argonaut Village Argo Fan Shop.

The University bookstore vendor actively and continuously seeks avenues to improve service to the campus community. During FY17-18, the Shop by Author program was implemented which streamlines the way students shop for course materials. The bookstore services vendor participated in two (2) Grad Fairs to assist students in graduation preparation and continued to support Textbook Affordability legislation. Also, the bookstore services vendor used its suite of Discover products to assist faculty in the book adoption process and to assist students in their acquisition of course materials.

The bookstore services vendor began operations in the new Argo Fan Shop located at the East Campus/Argonaut Village facility in FY17-18. The Argo Fan Shop sells only UWF branded gifts, clothing, and accessories. The Bookstore will continue its partnership with UWF Intercollegiate Athletics and will again be the official provider of UWF emblematic merchandise at the 2018 home football games held at the Blue Wahoo's stadium.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2018, 2017, AND 2016**

**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 contracted with the University for the management of daily operations. BEI was responsible for the long-term planning, capital investment, and construction of new parking and transportation facilities.

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 created 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.

The 85-space parking lot added at the East Campus/Argonaut Village facility in early FY15-16, along with all other PATS related assets held by BEI, were donated to the University in accordance with the terms of the reassignment. BEI recorded a donation of approximately \$3.8 million to the University in FY17-18, from the reassignment of PATS.

**Investments**

As part of the capital improvements under the Main Campus Dining Agreement, the former dining services vendor invested \$3.85 million to develop and construct over 13,100 gross square feet of mixed use commercial and restaurant buildings at the east entrance of campus. The East Campus/Argonaut Village facility construction of the building shell level was completed in 2015. Build-outs for all of the units are complete, with the exception of the Building 1 anchor space and tenant improvements currently in progress for a recently reassigned unit. The build-out for the Building 1 anchor space will be completed when a tenant for the space is identified. BEI executed a Lease Agreement with the former dining services vendor to sub-lease the space (i.e., act as Property Manager on behalf of BEI) to various businesses for operation. Upon termination of the Lease Agreement on May 5, 2018, management of the East Campus/Argonaut Village facility became the responsibility of BEI. BEI has entered into lease agreements with all of the current tenants. The anchor location is the only unit currently unassigned.

**Other Items**

BEI has continued to focus strategically on the East Campus/Argonaut Village development. Currently, there are no new projects planned. BEI will hold the next strategic planning session in the fall of 2018.

**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 20E  
Pensacola, FL 32514

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
<b>CURRENT ASSETS</b>		
Cash	\$ 833,494	\$ 320,236
Accounts Receivable, Net	24,589	234,241
Due from the University of West Florida, Net	-	2,397,790
Inventory	-	5,568
Prepaid Expenses and Other Assets	29,520	9,189
Total Current Assets	887,603	2,967,024
<b>CAPITAL ASSETS</b>		
	3,778,700	6,469,647
Total Assets	\$ 4,666,303	\$ 9,436,671
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 6,184	\$ 43,947
Accrued Liabilities	3,469	47,542
Note Payable - Current Portion	-	42,789
Due to the University of West Florida, Net	17,434	-
Capital Lease Obligation - Current Portion	-	4,444
Unearned Commission Income - Current Portion	-	22,044
Unearned Service and Management Arrangement Income - Current Portion	526,667	425,718
Total Current Liabilities	553,754	586,484
<b>LONG-TERM LIABILITIES</b>		
Note Payable - Less Current Portion	-	874,892
Unearned Commission Income - Less Current Portion	-	330,663
Unearned Service and Management Arrangement Income - Less Current Portion	6,650,555	5,628,024
Total Long-Term Liabilities	6,650,555	6,833,579
Total Liabilities	7,204,309	7,420,063
<b>NET POSITION</b>		
Net Investment in Capital Assets	3,778,700	2,033,129
Unrestricted Deficit	(6,316,706)	(16,521)
Total Net Position	(2,538,006)	2,016,608
Total Liabilities and Net Position	\$ 4,666,303	\$ 9,436,671

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Golf Course Sales	\$ 82,446	\$ 723,473
Food Service Commissions	66,279	119,288
Bookstore Commissions	350,121	388,563
Revenues from Service and Management Arrangements	442,544	425,719
Parking and Transportation	-	2,393,448
Building Eight Rent	20,718	20,513
Argonaut Village Rent	128,060	93,053
Digital Sign	3,993	6,324
Contributions and In-Kind	4,407	4,077
Miscellaneous Income	6,025	6,056
Total Revenues	<u>1,104,593</u>	<u>4,180,514</u>
<b>EXPENSES</b>		
Golf Course Operations	158,377	926,703
Golf Course Pro Shop Cost of Sales	1,435	16,788
Food Service Management	47,908	97,244
Food Service - Other	-	110,316
Bookstore Management	350,121	388,563
Parking and Transportation Service	-	1,866,746
General and Administrative	36,190	34,428
Donations to the University of West Florida	3,813,079	84,637
Building Eight	10,168	8,581
Argonaut Village Expense	22,183	-
Digital Sign	2,145	2,356
Depreciation	129,978	229,730
Total Expenses	<u>4,571,584</u>	<u>3,766,092</u>
<b>NET OPERATING INCOME (LOSS)</b>	(3,466,991)	414,422
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Write Off	(507)	-
Loss on Disposal of Capital Assets	(1,079,455)	(13,085)
Other Income	-	6,837
Interest Expense	(7,661)	(46,824)
Total Nonoperating Revenues (Expenses), Net	<u>(1,087,623)</u>	<u>(53,072)</u>
<b>CHANGE IN NET POSITION</b>	(4,554,614)	361,350
Net Position - Beginning of Year	<u>2,016,608</u>	<u>1,655,258</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ (2,538,006)</u>	<u>\$ 2,016,608</u>

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, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Others	\$ 9,939,786	\$ 3,694,801
Cash Paid to Leased Employees for Services	(64,886)	(438,516)
Cash Paid to Suppliers and Others	(9,372,863)	(3,011,919)
Net Cash Provided Used by Operating Activities	502,037	244,366
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Capital Debt	(917,681)	(40,782)
Interest Paid on Capital Debt	(7,661)	(46,824)
Repayments of Obligations Under Capital Leases	(4,444)	(4,791)
Write Off	(507)	-
Purchase of Capital Assets	-	(51,925)
Proceeds from Sale of Capital Assets	941,514	-
Net Cash Provided (Used) by Capital and Related Financing Activities	11,221	(144,322)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	513,258	100,044
Cash and Cash Equivalents - Beginning of Year	320,236	220,192
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 833,494	\$ 320,236
<b>RECONCILIATION OF CHANGE IN NET OPERATING INCOME PROVIDED BY OPERATIONS</b>		
Net Operating Income (Loss)	\$ (3,466,991)	\$ 414,422
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	129,978	229,730
Contract Overage Loss	-	110,316
Bad Debt Provision	-	48,709
Donation of Assets	540,000	84,637
Changes in:		
Accounts Receivable	209,652	(124,029)
Due to/from the University of West Florida	2,415,224	(49,296)
Inventory	5,568	9,346
Prepaid Expenses	(20,331)	3,351
Accounts Payable	(37,763)	(32,317)
Accrued Liabilities	(44,073)	(2,739)
Unearned Commission Income	(352,707)	(22,045)
Unearned Service and Management Arrangement Income	1,123,480	(425,719)
Net Cash Provided by Operating Activities	\$ 502,037	\$ 244,366

See accompanying Notes to Financial Statements.



**UWF BUSINESS ENTERPRISES, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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 that is used to support the University's educational activities. BEI has also entered into contracts that will provide dining, bookstore, retail services, and any other assigned functions to University students and personnel. BEI did contract to provide parking and transportation assigned functions; however, that ceased on June 30, 2018, and reverted back to the University.

As discussed in the subsequent notes to the financial statements, BEI incurred significant losses related to the Sale of Scenic Hills Country Club (Note 13) and the donation of the related parking and transportation assets (Note 8) during the year ended June 30, 2018. Those events coupled with current operations have caused the net position to decrease from \$2,016,608 as of June 30, 2017, to \$(2,538,006) as of June 30, 2018. BEI management notes that the unearned service and management income of \$7,177,222 that will be recognized over the next 15 years would satisfy that deficit coupled with additional buildouts to be performed by the new dining services provider, as discussed in Note 6. BEI management notes that in the past several years Scenic Hills Country Club had been incurring losses on operations due to attendance and the overall industry decline, thus management believes that selling the property was in the best interest of BEI. BEI management plans to continue its underlying purpose to support the University of West Florida and has no plans to cease operations within 1 year of the issuance of these audited financial statements.

**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.

**UWF BUSINESS ENTERPRISES, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation and Accounting (Continued)**

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.

**Cash and Cash Equivalents**

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

The uncollateralized combined bank balance comprised of demand deposits is subject to custodial credit risk as it exceeds the Federal Depository Insurance (FDI) limits by \$634,293 and \$77,643, for the years ended June 30, 2018, and June 30, 2017, respectively. BEI has not experienced any losses in these accounts. All deposits are held at a Qualified Public Depository in compliance with Florida Statute.

**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:

	2018	2017
Beginning Balance	\$ 112,914	\$ 192,744
Current Year Provision	-	48,709
Write Offs of Accounts	-	(128,539)
Reduction due to sale of Scenic Hills CC (See Note 13)	(1,253)	-
Reduction due to Donation (See Note 8)	(111,661)	-
Ending Balance	<u>\$ -</u>	<u>\$ 112,914</u>

**UWF BUSINESS ENTERPRISES, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Due to/from the University of West Florida, Net**

Due to/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) and commissions owed to the University by BEI related to assigned functions.

**Inventory**

Inventory consists of merchandise held for resale and maintenance inventory held at SHCC during the year ended June 30, 2017. Inventory is recorded at the lower of cost or net realizable 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 acquisition value at the date received in the case of donations. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. BEI has a capitalization threshold of \$50,000 for buildings, building improvements, infrastructure, infrastructure improvements, and leasehold improvements and a \$5,000 capitalization threshold for tangible personal property. Depreciation is calculated on the straight-line basis over the following estimated useful lives of the related assets:

Buildings	40 Years
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 6. The unearned balance was being amortized on a straight-line basis from July 2013 through June 2033. The contract was terminated in May 2018, as discussed in Note 6, which caused this to be repaid to the vendor.

**UWF BUSINESS ENTERPRISES, INC.**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unearned Service and Management Arrangement Income**

Prior to May 2018, 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 was 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 was amortized on a straight line basis through June 2023. Capital improvements made and to be made by the vendor under the contract were recorded as unearned income and were amortized on a straight line basis from October 2012, or date of completion in the case of capital improvements, through June 2035. As discussed in Note 6, this contract was terminated in May 2018.

In May 2018, BEI received \$6.1 million in buyout funds from a dining services vendor in connection with a new dining services contract. In addition, BEI received a \$900,000 grant from the vendor for operations. The funds received under the contract are recorded as unearned income and are amortized on a straight-line basis from May 2018 through May 2033.

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.

**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, 2018 and 2017. 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 accounting principles generally accepted in the United States of America.

**UWF BUSINESS ENTERPRISES, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing services in connection with BEI's SHCC, Dining Services, Bookstore Services, Argonaut Village, 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.

**NOTE 2 CAPITAL ASSETS**

Capital assets consisted of the following at June 30, 2018:

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 393,162	\$ -	\$ (298,897)	\$ -	\$ 94,265
Parking Lot	600,000	-	(600,000)	-	-
Buildings	5,454,534	-	(1,558,135)	-	3,896,399
Golf Course Improvements	374,559	-	(374,559)	-	-
Maintenance Equipment	23,014	-	(23,014)	-	-
Furniture and Fixtures	263,980	-	(136,516)	-	127,464
Office Equipment	6,606	-	(6,606)	-	-
Exterior Sign	11,392	-	(11,392)	-	-
Software, under Capital Lease	20,753	-	(20,753)	-	-
	<u>7,148,000</u>	<u>-</u>	<u>(3,029,872)</u>	<u>-</u>	<u>4,118,128</u>
Less: Accumulated Depreciation	<u>(678,353)</u>	<u>(129,978)</u>	<u>468,903</u>	<u>-</u>	<u>(339,428)</u>
Total	<u>\$ 6,469,647</u>	<u>\$ (129,978)</u>	<u>\$ (2,560,969)</u>	<u>\$ -</u>	<u>\$ 3,778,700</u>

**UWF BUSINESS ENTERPRISES, INC.**  
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**NOTE 2 CAPITAL ASSETS (CONTINUED)**

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>

Depreciation expense amounted to \$129,978 and \$229,730 for the years ended June 30, 2018 and 2017, respectively, and includes amortization expense of \$692 and \$4,151 for the years ended June 30, 2018 and 2017, respectively, for the above equipment under capital lease.

During the years ended June 30, 2018 and 2017, BEI donated Capital Investments in the amount of \$540,000 and \$84,637, respectively, to the University of West Florida.

**NOTE 3 LONG-TERM LIABILITIES**

Changes in long-term liabilities were as follows at June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note Payable	\$ 917,681	\$ -	\$ (917,681)	\$ -	\$ -
Capital Lease Obligation	4,444	-	(4,444)	-	-
Unearned Commission Income	352,707	-	(352,707)	-	-
Unearned Service and Management Arrangement Income	6,053,742	7,000,000	(5,876,520)	7,177,222	526,667
Total	<u>\$ 7,328,574</u>	<u>\$ 7,000,000</u>	<u>\$ (7,151,352)</u>	<u>\$ 7,177,222</u>	<u>\$ 526,667</u>

**UWF BUSINESS ENTERPRISES, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 LONG-TERM LIABILITIES (CONTINUED)**

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>

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. This note was paid in full during the year ended June 30, 2018, as part of the Scenic Hills Country Club sale (see Note 13).

BEI was party to a capital lease agreement for software, which expired in 2018. For the year ended June 30, 2017, the cost of the equipment under capital lease was \$20,753 and related accumulated amortization was \$14,873. This software and the related capital lease was sold in 2018 as part of the Scenic Hills Country Club sale.

**NOTE 4 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME**

As subsequently discussed in Note 6, BEI terminated its former dining services agreement and entered into a new contract during May 2018. Within the former agreement, BEI received \$1.1 million as a signing incentive during fiscal year 2012. 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, and 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.

Under the new dining services agreement executed in May 2018, BEI received \$6.1 million in buyout funds to repay the former dining services vendor as well as a \$900,000 grant. The investment and grant funds received under the contract are recorded as unearned income and are amortized on a straight-line basis from May 2018 through May 2033.

As subsequently discussed in Note 7, 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.

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**NOTE 4 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME (CONTINUED)**

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

	2018	2017
Unamortized Unearned Income from Dining Services Agreement - Note 6	\$ 6,922,222	\$ 5,738,742
Unamortized Unearned Income from Bookstore Services Agreement - Note 7	255,000	315,000
Total Unearned Income from Service and Management Arrangements	\$ 7,177,222	\$ 6,053,742

**NOTE 5 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 6 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 to provide all retail and catering food services on the University's main campus, and concession services at athletic, recreational, and special events at the University's main campus. The June 2012 agreement was terminated May 2018 and subsequent to that, BEI entered into a new agreement with a new provider in May 2018.

The previous contract with the food service provider was effective July 1, 2013, and extended through June 30, 2035, but was terminated in May 2018.

As part of the previous contract executed 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 also agreed to provide \$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 was recorded as unearned income and amortized to revenue on a straight-line basis from October 2012 through June 2033. Capital improvements made under the prior and amended contract were recorded as completed, and corresponding unearned income was recognized and amortized over the



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**NOTE 6 ASSIGNMENT OF DINING SERVICES (CONTINUED)**

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 held title to certain assets funded through the capital investment; therefore the transfer of those assets to the University by BEI was recognized as donations to the University.

During the year ended June 30, 2017, \$84,637 of the food service provider investments were donated to the University in accordance with the previous agreement. The unearned income related to those investments was amortized on a straight-line basis over the period December 2013 through June 2033 per the amended agreement.

Included in the food service provider total capital investment is the unamortized balance of the food service provider's investment under a previous 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.

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 was \$352,707 as of June 30, 2017. Upon termination in 2018, the unearned portion became due to the service provider

The previous contract was amended and called 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. Upon notification of termination in November 2017, in accordance with the agreement, dining service commissions were paid directly to the University through termination.

The prior 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. Rental income for the years ended June 30, 2018 and 2017, was \$128,060 and \$93,053, respectively, and includes rent income from tenant leases effective May 6, 2018. The lease agreement with the food service provider was terminated effective May 5, 2018, to coincide with the termination of the dining contract described throughout. Management assumed and executed new leases with the tenants within Argonaut Village effective May 6, 2018.

Upon termination of the former dining services agreement, the unamortized balance of the signing incentive received and all capital improvements made under the agreement as well as the balance of unearned commissions advanced became due and payable to the prior dining services vendor. The unamortized balance was \$5,768,313, which was paid upon receipt of the new food service agreement's initial investment, as described below.

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**NOTE 6 ASSIGNMENT OF DINING SERVICES (CONTINUED)**

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

In conjunction with the new contract, BEI received \$6.1 million to buyout and repay the unamortized balances of the old service agreement's capital investments and the balance of unearned advanced commission owed to the former dining services vendor. BEI also received a \$900,000 unrestricted grant under the new contract to be used in furthering BEI's mission. The \$6.1 million contract buyout funds, the \$900,000 unrestricted grant, and any future capital investments to be made under the agreement are recorded as unearned income when received and amortized to revenue on a straight-line basis through May 2033. Under the agreement, the new food service provider agreed to provide \$3,575,000 of capital improvements on behalf of BEI in exchange for contract terms including the exclusive right to provide services. The capital improvements are planned to be completed during the fiscal year ending June 30, 2019.

The new dining services contract also calls for commissions to be paid to BEI at a set rate of \$10,000 for the year ended June 30, 2018, 6% of Net Sales, (inclusive of applicable sales taxes) per year, during the subsequent five years through June 30, 2023, and 8% of Net Sales, per year, for remainder of the contract. BEI is guaranteed a minimum commission each year as stipulated in the contract; however, that minimum guarantee is contingent on the sales goals established by the University.

During the years ended June 30, 2018 and 2017, BEI has recognized \$382,544 and \$365,719, respectively in earned revenue from the vendor investments. The following is a roll forward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Unearned Service and Management Arrangement Income - Beginning of Fiscal Year	\$ 5,738,742	\$ 5,879,380
Add: Capital Improvements and New Investments under Service and Management Arrangements	6,100,000	225,081
Add: Unrestricted Grant related to Service and Management Arrangements	900,000	-
Less: Reduction due to Termination of Old Agreements	(5,433,976)	-
Less: Amortization of Unearned Income	<u>(382,544)</u>	<u>(365,719)</u>
Unearned Service and Management Arrangement Income - End of Fiscal Year	<u>\$ 6,922,222</u>	<u>\$ 5,738,742</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 7 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 \$292,421 as of the fiscal year ended June 30, 2018, related to these upgrades.

All equipment, fixtures and furniture included as store upgrades from the capital investments of the bookstore operations vendor or from future capital investments will remain the property of the bookstore operations vendor until the investment is fully amortized, over a five year period commencing on the date of the first disbursement of funds, at which time the upgrades will become property of the University. As of June 30, 2018 and 2017, 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, 2018 and 2017, 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:

	<u>2018</u>	<u>2017</u>
Unearned Service and Management Arrangement		
Income - Beginning of Fiscal Year	\$ 315,000	\$ 375,000
Less: Amortization of Unearned Income	<u>(60,000)</u>	<u>(60,000)</u>
Unearned Service and Management Arrangement		
Income - End of Fiscal Year	<u>\$ 255,000</u>	<u>\$ 315,000</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 7 ASSIGNMENT OF BOOKSTORE OPERATIONS (CONTINUED)**

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, 2018 and 2017, total commissions amounted to \$350,121 and \$388,563, respectively. These commissions are presented in the accompanying statements of revenues, expenses, and changes in net position.

**NOTE 8 ASSIGNMENT OF PARKING OPERATIONS**

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

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

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

Effective 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.

The donation to the University is composed of:

Reduction of Related Cash Receivable Held in Agency on the Books and Records of the University	\$ 3,185,829
Accounts Receivable, Net of Related Allowance	70,857
Argonaut Village Parking Lot, Net of Depreciation	540,000
Other Amounts Payable to the University	16,393
Total Donation to the University	<u>\$ 3,813,079</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 9 BUILDING LEASE AND RENTAL INCOME**

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.

**NOTE 10 RISK MANAGEMENT**

BEI is exposed to various levels of loss including, but not limited to, losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. BEI is insured for these risks. There were no insurance losses related to these risks for the years ended June 30, 2018 and 2017. BEI is not aware of any liabilities related to these risks as of June 30, 2018.

BEI has established a Low Value Asset Policy to manage and account for certain property items that are portable and susceptible to theft or loss. No low value assets have been identified as missing as of June 30, 2018 and 2017.

**NOTE 11 IN-KIND CONTRIBUTIONS**

Rent for space utilized by BEI and owned by the University was recorded for \$4,399 and \$4,075, respectively, for the years ended June 30, 2018 and 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 12 RELATED PARTIES**

The University provides administrative, managerial and facilities support for BEI. BEI reimbursed the University \$62,556 and \$3,910 for services and costs during the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, BEI disbursed \$47,908 and \$97,244, respectively, to the University for food service management pursuant to the Agreement discussed in Note 6. For the years ended June 30, 2018 and 2017, BEI disbursed \$350,121 and \$388,563, respectively, to the University for bookstore management pursuant to the Agreement discussed in Note 7. For the year ended June 30, 2017, BEI incurred expenses totaling \$1,819,712 to the University for parking and transportation management pursuant to the Agreement discussed in Note 8.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 13 SALE OF SCENIC HILLS COUNTRY CLUB**

On August 31, 2017, BEI sold its ownership of Scenic Hills Country Club to an outside party for approximately \$1.0 million. Included in the sale transaction was all related Land, Buildings, Land and Building improvements, Equipment, Furniture and Fixtures, Software, Inventory, and Accounts Receivable. The subsequent owner assumed all related liabilities and leases upon ownership transfer. In addition, the remaining mortgage of \$910,786 was paid off. The details of the sale are as follows:

Total Sales Price	\$ 1,000,000
Adjustments for Items Paid by BEI in Advance	
50% of Accounts Receivable Owed to Seller	3,272
Adjustments to Sales Price for Items Unpaid by BEI:	
Mower Lease Assumed by Buyer	(54,821)
County Taxes	(2,257)
Property Tax	(1,662)
Punch Cards	(7,411)
Gift Certificates	(15,260)
Credit Books	(3,108)
Closing Costs	(5,428)
Adjusted Sales Price	<u>913,325</u>
Less Pay-Off of Mortgage	<u>(910,786)</u>
Net Cash Received from Sale	2,539
Sale of Assets & Reduction of Liabilities:	
Property, Plant, and Equipment	(2,020,969)
Accounts Receivable	(7,789)
Inventory	(4,832)
Payables, Gift Cards, Credit Books, and Lease Pay-Off	40,810
Mortgage Pay-Off	910,786
Net Loss on Sale of Scenic Hills Country Club	<u><u>\$ (1,079,455)</u></u>



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**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, 2018, and the related notes to the financial statements, which collectively comprise BEI's basic financial statements, and have issued our report thereon dated September 10, 2018.

**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  
September 10, 2018



**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE I – SCENIC HILLS COUNTRY CLUB EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018	2017
Administrative Expenses	\$ 1,388	\$ 6,632
Bad Debt Provision	-	1,675
Bank Service Charges	1,701	12,178
Carts Expense	44,776	92,322
Computer	1,227	7,713
Course Maintenance	20,709	116,343
Dues and Subscriptions	122	1,932
Equipment Expense	-	2,475
Insurance	6,226	33,703
Marketing Expense	400	9,754
Miscellaneous	-	575
Office Supplies	118	164
Postage	378	872
Pro Shop Expenses	-	2,437
Professional Fees	-	8,888
Repairs and Maintenance	6,779	21,644
Restaurant Expense	-	51,443
Staff Leasing	64,886	438,516
Taxes and Licenses	1,102	5,508
Utilities	8,565	111,929
Total	\$ 158,377	\$ 926,703

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE II – FOOD SERVICE MANAGEMENT EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2018</u>	<u>2017</u>
Contractual Services - UWF	<u>\$ 47,908</u>	<u>\$ 97,244</u>
Total	<u>\$ 47,908</u>	<u>\$ 97,244</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, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018	2017
Dining Services Capital Improvements	\$ -	\$ 84,637
Reassignment of Parking Services and Related Assets	3,813,079	-
Total	\$ 3,813,079	\$ 84,637

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE IV – GENERAL AND ADMINISTRATIVE EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2018</u>	<u>2017</u>
Administrative Expenses	\$ 2,339	\$ 2,320
Advertising and Promotion	653	344
Computer	928	748
Miscellaneous	75	-
Office Supplies	4,606	4,241
Other University Support	-	76
Postage	205	261
Professional Fees	25,676	24,627
Taxes and Licenses	184	61
Travel and Entertainment	1,407	1,697
Utilities	117	53
Total	<u>\$ 36,190</u>	<u>\$ 34,428</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, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018	2017
Bad Debt Expense	\$ -	\$ 47,034
Contractual Services - UWF	-	1,819,712
Total	\$ -	\$ 1,866,746

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VI – BOOKSTORE MANAGEMENT EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2018</u>	<u>2017</u>
Contractual Services - UWF	<u>\$ 350,121</u>	<u>\$ 388,563</u>
Total	<u>\$ 350,121</u>	<u>\$ 388,563</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VII – BUILDING EIGHT EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018	2017
Insurance	\$ 2,645	\$ 2,595
Repairs and Maintenance	450	32
Utilities	7,073	5,954
Total	\$ 10,168	\$ 8,581

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VIII – ARGONAUT VILLAGE EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018	2017
Administrative Expenses	\$ 200	\$ -
Insurance	1,872	-
Miscellaneous	303	-
Postage	8	-
Professional Fees	5,557	-
Repairs and Maintenance	10,313	-
Taxes and Licenses	1,706	-
Utilities	2,224	-
Total	\$ 22,183	\$ -



**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE IX – DIGITAL SIGN EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2018</u>	<u>2017</u>
Utilities	<u>\$ 2,145</u>	<u>\$ 2,356</u>
Total	<u>\$ 2,145</u>	<u>\$ 2,356</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE X – DEPRECIATION EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2018</u>	<u>2017</u>
Building Eight	\$ 3,593	\$ 3,593
Scenic Hills Country Club	14,359	86,545
Argonaut Village	112,026	139,592
Total	<u>\$ 129,978</u>	<u>\$ 229,730</u>