

UWF BUSINESS ENTERPRISES, INC.
FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

UNIVERSITY OF WEST FLORIDA BUSINESS ENTERPRISES, INC.
TABLE OF CONTENTS
JUNE 30, 2021 AND 2020

	<u>Page(s)</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 11
Financial Statements	
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	15 – 22
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23 – 24
Supplemental Information	25
Schedule of General and Administrative Expenses	26
Schedule of Argonaut Village Expenses	27

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
UWF Business Enterprises, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of UWF Business Enterprises, Inc. ("BEI"), a direct-support organization and component unit of the University of West Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise BEI's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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 UWF Business Enterprises, Inc. as of June 30, 2021, and the changes in its financial position and its cash flows for the year 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

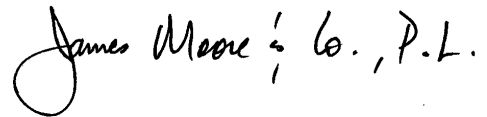
The schedule of general and administrative expenses and schedule of Argonaut Village expenses are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general and administrative expenses and schedule of Argonaut Village expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

2020 Financial Statements

The financial statements of UWF Business Enterprises, Inc. for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on October 2, 2020. The predecessor auditor included standard other-matter paragraphs related to the presentation of required supplementary information in addition to the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on September 7, 2021 our consideration of UWF Business Enterprises, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UWF Business Enterprises, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive, flowing style.

Tallahassee, Florida
September 7, 2021

**UNIVERSITY OF WEST FLORIDA BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2021, 2020, AND 2019**

This section of the 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, 2021, 2020, and 2019. 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.

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 Florida Statute Section 1004.28 and University Regulation 5.016. BEI was established as a Florida not-for-profit corporation.

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

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

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

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

In May 2018 the University appointed Dr. Edward Ranelli, Dean Emeritus and Professor of the UWF College of Business, to serve as CEO. Previously, Dr. Ranelli was appointed as the President’s Designee to the BEI Board of Directors and then effective May 8, 2017 was elected to serve as BEI Board Treasurer.

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, 2021.

The statement of net position presents information on all 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.

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

The statement of cash flows presents information about the cash receipts and cash payments of BEI from July 01, 2019 through June 30, 2020 and July 01, 2020 through June 30, 2021. 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 provide supplementary information of expenses by BEI activity 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.

UWF-BEI CONDENSED STATEMENT OF NET POSITION

ASSETS	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Assets, Excluding Capital Assets	\$916,842	\$866,196	\$715,965
Capital Assets, Net	<u>3,763,953</u>	<u>3,903,332</u>	<u>3,995,024</u>
Total Assets	<u>\$4,680,795</u>	<u>\$4,769,528</u>	<u>\$4,710,989</u>
LIABILITIES			
Current Liabilities	\$615,799	\$847,329	\$758,828
Long-Term Liabilities	<u>8,376,128</u>	<u>8,460,285</u>	<u>8,215,986</u>
Total Liabilities	<u>8,991,927</u>	<u>9,307,614</u>	<u>8,974,814</u>
NET POSITION			
Net Investment in Capital Assets	3,763,953	3,903,332	3,995,024
Unrestricted	<u>(8,075,085)</u>	<u>(8,441,418)</u>	<u>(8,258,849)</u>
Total Net Position	<u>(\$4,311,132)</u>	<u>(\$4,538,086)</u>	<u>(\$4,263,825)</u>
Total Liabilities and Net Position	<u>\$4,680,795</u>	<u>\$4,769,528</u>	<u>\$4,710,989</u>

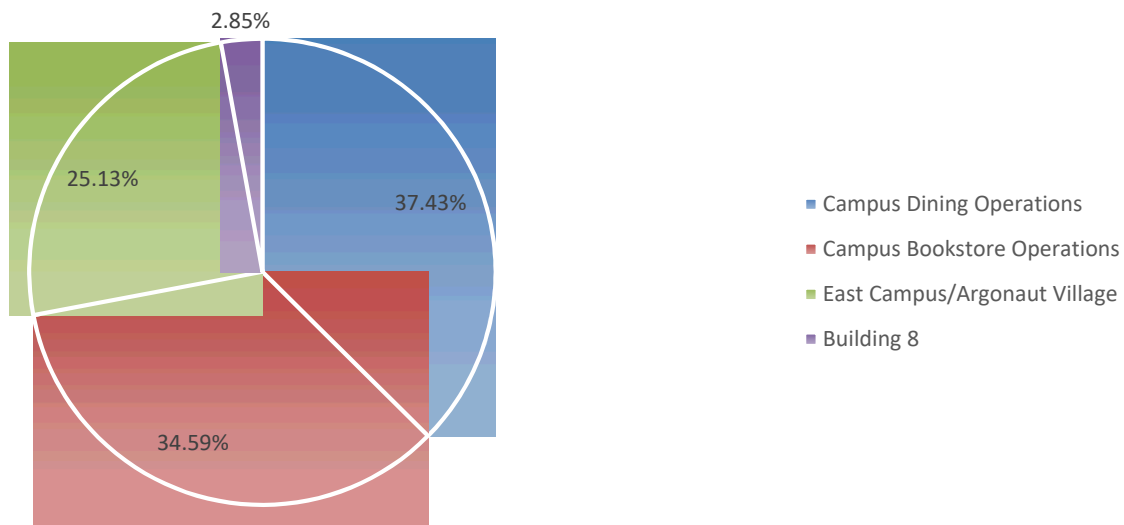
**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS
ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021, 2020, AND 2019**

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

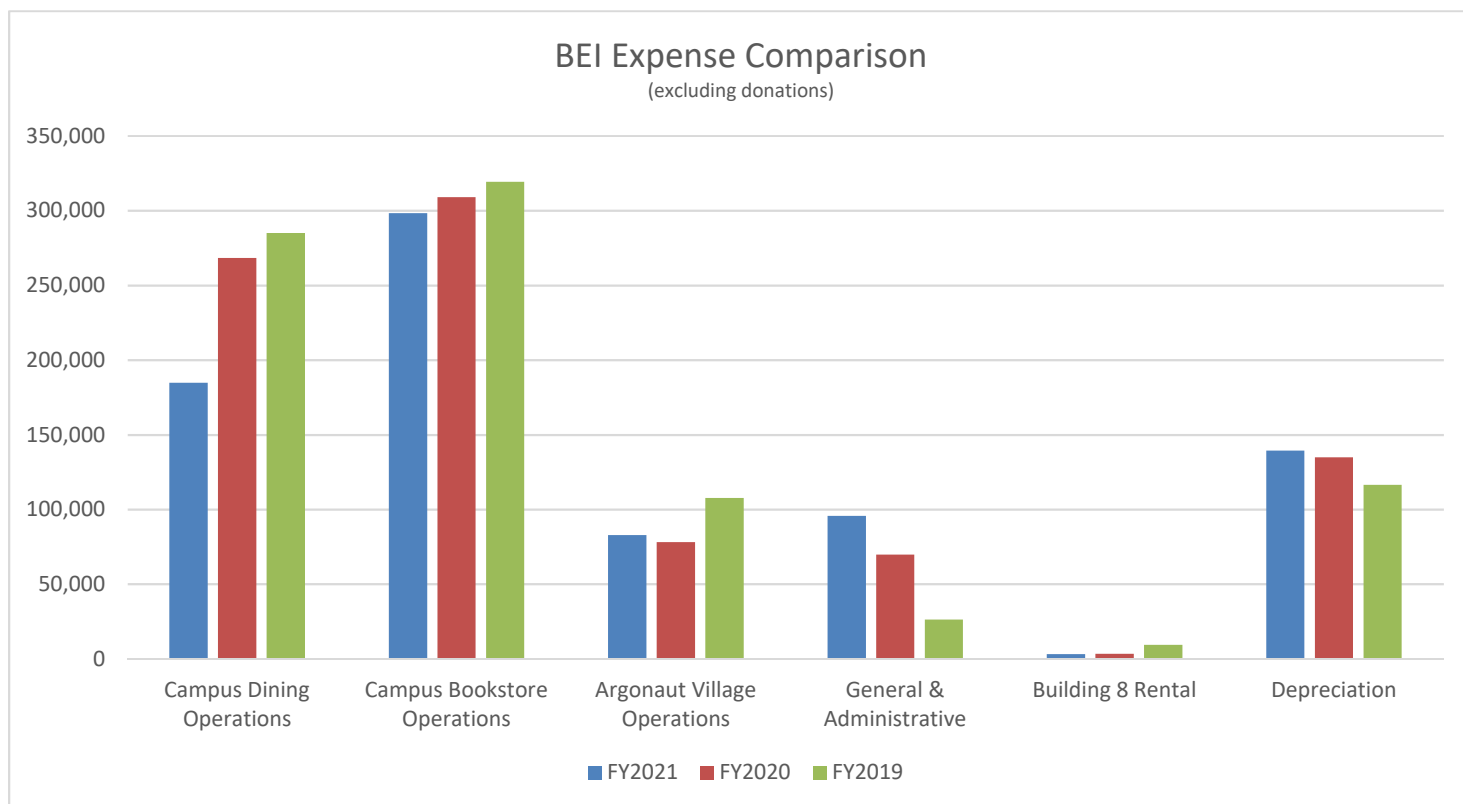
	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES			
Food Service Commissions	\$ 184,799	\$ 268,446	\$ 304,230
Bookstore Commissions	298,435	331,595	323,991
Deferred Revenues	263,009	727,780	607,651
Building Eight Rent	29,509	28,930	20,925
Argonaut Village Rent	260,389	278,470	208,013
Digital Sign	-	-	1,352
Contributions and In-Kind	3,986	4,509	3,245
Miscellaneous	165	179	6,185
Total Revenues	<u>1,059,470</u>	<u>1,639,909</u>	<u>1,475,592</u>
EXPENSES			
Food Service Management	184,799	268,446	285,000
Bookstore Management	298,435	309,060	319,298
General and Administrative	102,711	69,754	26,998
Donations - University of West Florida	-	1,050,368	2,335,051
Building Eight	2,603	3,453	8,845
Argonaut Village Expense	84,871	78,100	107,484
Digital Sign	-	-	2,177
Depreciation	139,379	134,989	116,558
Total Expenses	<u>808,280</u>	<u>1,914,170</u>	<u>3,201,411</u>
NONOPERATING EXPENSES	-	-	-
Change in Net Position	<u>226,954</u>	<u>(274,261)</u>	<u>(1,725,819)</u>
Net Position - July 1	<u>(4,538,086)</u>	<u>(4,263,825)</u>	<u>(2,538,006)</u>
NET POSITION - JUNE 30	<u>\$ (4,311,132)</u>	<u>\$ (4,538,086)</u>	<u>\$ (4,263,825)</u>

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ENTERPRISES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021, 2020, AND 2019**

BEI FY 2021 Revenues



**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS
ENTERPRISES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021, 2020, AND 2019**



Financial Highlights

Effective May 6, 2018 the UWF-BEI entered into a Management Services Contract with a new dining services vendor, Aramark Educational Services, LLC, and immediately began earning a larger commission of six percent (6%). While fiscal year 2019 commissionable sales were consistent with the 2018 sales reported by the previous vendor, the higher commission rate yielded a larger commission for BEI in fiscal year 2019 of \$304,230. In March 2020 due to the COVID-19 pandemic, the University of West Florida campus closed to students and non-essential personnel as the University transitioned to remote education and work. On March 15 the dining services vendor closed campus operations with plans for a robust reopening in the fall session. For fiscal year ending June 2020 commission revenue decreased to \$268,446. The fall session continued to be predominately on-line education as the challenges with COVID-19 continued. Again, without many student and faculty on campus, commissions declined. BEI received \$184,799 for the fiscal year ending June 30, 2021.

Due to the disruption of regular operations in response to the global pandemic, BEI and Aramark entered into a Memorandum of Understanding (MOU) agreement on July 14, 2020. The amendment supplements the original agreement and most notably waives the right to receive the full minimum guaranteed annual commission for 2020. In November 2020 a second amendment was signed. It essentially eliminated the minimum guaranteed commission for fiscal year 2021, extinguished roll over of in-kind catering balances remaining, and extended the amortization period of the capital dining improvements by five (5) years until May 2038. The dining services vendor is actively planning a return to full operations in the fall term. To grow the dining program two (2) new commuter Dining Dollar meal plans have been created for fall 2021. These plans offer great value at an affordable rate that give the student flexibility in their dining choices.

**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS
ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021, 2020, AND 2019**

While the bookstore sales have been in decline over the last several years, these previous sales declines have not been a significant concern to BEI management because this reduction is generally due to the increased availability of lower cost course material options to students. These lower cost options are beneficial to both the UWF students and University metrics. The bookstore commissions received for fiscal year June 30, 2020 and June 30, 2021 were \$331,595 and \$295,928, respectively. Commissions in fiscal year 2021 were less than the vendor's minimum guarantee by \$2,507. During the campus closure related to COVID-19, the bookstore was able to continue to operate on line and in store with reduced hours. In July 2020 UWF-BEI and Follett executed Amendment 4 to their operating agreement, dated 2009, to include the Follett ACCESS Program Course Materials. This program delivers all required course materials to students as part of their tuition thus ensuring student have all required course material on or before the first day of class.

BEI assumed the management responsibility of the East Campus (Argonaut Village) retail location upon the termination of the contract with the prior dining services vendor on May 6, 2018. In its third year of management of the Argonaut Village facility, BEI earned rental income directly from tenant leases, while reducing CAM (Common Area Maintenance) cost from \$5.35 to \$5.15 per square foot.

At Argonaut Village in May 2020, per the terms of the lease a restaurant tenant opted to terminated its lease with BEI. A new lease for this space was executed October 15, 2020. The prospective new restaurant tenant met with obstacles in opening another location and decided to terminate the lease as of June 30, 2021 without taking occupancy. An existing tenant has indicated an interest in opening a restaurant in the location. The Follett Argo Fan Shop terminated its lease in May 2021 to focus on the on-campus bookstore. An existing tenant has signed a lease for the space and plans to open by January 2022. BEI anticipates full occupancy at Argonaut Village during fiscal year 2022.

BEI earned rent revenue from the three-year lease agreement for Building 8. This lease renewed on April 18, 2019 with significant improved terms for BEI beginning July 1, 2019. In May 2020 BEI made a capital investment in building 8 with the installation of a new roof at a cost of \$23 thousand. The current tenant has expressed interest to exercise its option to extend the lease for two more years after June 2022.

Campus Bookstore and Dining

BEI receives commissions based on sales from both the dining services and bookstore services vendors for campus operations. From these funds, BEI provides agreed upon, budgeted payments to the University for direct auxiliary support management and reserves.

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 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.

BEI entered into a Management Services Contract with Aramark 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 is paid commission during each operating year of the agreement.

**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS
ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021, 2020, AND 2019**

After the execution of the contract, BEI received \$6.1 million from Aramark to repay the unamortized balance of the capital investments and the balance of unearned advanced commission BEI owed to the former dining services vendor. BEI also received \$900,000 as an unrestricted grant 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, 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 the \$3.575 million capital investment are recorded as unearned income and amortized to revenue on a straight-line basis. 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.

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 report a donation from BEI to the University. Donations from the dining services vendor were \$2.335 million and \$1.050 million for the fiscal year ended June 30, 2019 and 2020, respectively. After these expenditures, the \$3.575 million capital investment commitment has a small balance remaining of about \$200 thousand. These funds are planned for use to refresh dining facilities in the future.

BEI and Follett Higher Education Group, Inc. entered into a Bookstore Operating Agreement on August 18, 2009. Effective November 15, 2016, BEI and the bookstore services vendor entered into Amendment Number Three to the Bookstore Operating Agreement. Amendment Number Three provided the following terms: extended the contract for an additional two (2) year period through September 30, 2024; confirmed the remaining unamortized balance of the initial contribution made in October 2012 will continue to be amortized through September 30, 2022; increased 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, 2021, approximately \$295,000 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.

Follett began operations in the new Argo Fan Shop located at the Argonaut Village facility in fiscal year 2018 and terminated the lease effective May 31, 2021. The Argo Fan Shop sold 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 home football games held at the Blue Wahoo's stadium.

Argonaut Village

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. 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 Main Campus Dining Agreement effective May 5, 2018 the Lease Agreement terminated. On May 6, 2018, management of the Argonaut Village facility became the responsibility of BEI. BEI entered into lease agreements with the current tenants. Build-outs for all the units are complete as of 2019. The facility was

**UWF BUSINESS ENTERPRISES, INC. UNIVERSITY OF WEST FLORIDA BUSINESS
ENTERPRISES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021, 2020, AND 2019**

fully leased with the occupancy of Building 1 in September 2019. Build-out costs for Building 1 of \$614 thousand were shared with the tenant. In fiscal year 2019 a current tenant at Argonaut Village expanded into an adjacent unit and made capital improvements of \$59,000 and per the lease agreement, BEI reimbursed the tenant \$18,795 of the cost. In February 2020, BEI made a capital improvement of about \$14 thousand with the installation of an exterior electric sign, which identifies the shopping center by name.

In fiscal 2019 BEI earned a minimal advertising commission revenue from Electronic Digital Network (EDN) while waiting for the contract to expire. During the fall of 2018, the Department of Transportation notified BEI that a permit and license are required for paid advertising on the Digital Monument sign located at the Argonaut Village retail location, which was under the digital signs contract. With the expiration of the digital signs contract on February 1, 2019, the sign is administered and monitored by UWF personnel. Since February 2019 only free advertising promoting the University and Argonaut Village tenants has been displayed.

Other Items

BEI continues to focus strategically on Argonaut Village development and management. There have been recent changes to the Designated Support Organization (DSO) Florida Statute Section 1004.28. Under the new legislative guidelines BEI will continue to evaluate its purpose to advance the mission of the University. Currently, there are no new projects planned.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be directed to UWF Business Enterprises, Inc., 11000 University Parkway, Building 20E, Pensacola, FL 32514

UWF BUSINESS ENTERPRISES, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 828,362	\$ 691,557
Accounts receivable, net	21,099	111,980
Lease receivable	50,967	37,443
Prepaid expenses and other assets	16,414	25,216
Total current assets	<u>916,842</u>	<u>866,196</u>
Capital assets, net	3,763,953	3,903,332
Total assets	<u><u>\$ 4,680,795</u></u>	<u><u>\$ 4,769,528</u></u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	\$ 3,058	\$ 1,608
Accrued liabilities	6,775	7,783
Due to the University of West Florida	17,894	71,014
Unearned service and management arrangement income, current portion	588,072	766,924
Total current liabilities	<u>615,799</u>	<u>847,329</u>
Noncurrent liabilities		
Unearned service and management arrangement income, long term portion	8,376,128	8,460,285
Total Liabilities	<u><u>\$ 8,991,927</u></u>	<u><u>\$ 9,307,614</u></u>
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	3,763,953	3,903,332
Unrestricted	(8,075,085)	(8,441,418)
Total Net Position	<u><u>\$ (4,311,132)</u></u>	<u><u>\$ (4,538,086)</u></u>

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

UWF BUSINESS ENTERPRISES, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating revenues		
Food service commissions	\$ 184,799	\$ 268,446
Bookstore commissions	298,435	331,595
Service and management arrangements	263,009	727,780
Rental income	289,898	307,400
Contributions	-	4,509
Miscellaneous income	165	179
Total operating revenues	<u>1,036,306</u>	<u>1,639,909</u>
Operating expenses		
Food service management	184,799	268,446
Bookstore management	298,435	309,060
General and administrative	101,363	69,754
Building Eight	2,603	3,453
Argonaut Village	82,773	78,100
Depreciation	<u>139,379</u>	<u>134,989</u>
Total operating expenses	<u>809,352</u>	<u>863,802</u>
Operating income	<u>226,954</u>	<u>776,107</u>
Nonoperating revenues (expenses)		
Contributions to UWF	-	(1,050,368)
Total nonoperating revenues (expenses)	<u>-</u>	<u>(1,050,368)</u>
Change in net position	<u>226,954</u>	<u>(274,261)</u>
Net position, beginning of year	(4,538,086)	(4,263,825)
Net position, end of year	<u><u>\$ (4,311,132)</u></u>	<u><u>\$ (4,538,086)</u></u>

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

UWF BUSINESS ENTERPRISES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from contracts	\$ 850,655	\$ 1,892,164
Cash payments to suppliers for goods and services	(713,849)	(724,979)
Net cash provided by operating activities	<u>136,806</u>	<u>1,167,185</u>
Investing activities		
Purchase of capital assets	-	(43,297)
Cash payments for capital contributions to UWF	-	(1,050,368)
Net cash used in investing activities	<u>-</u>	<u>(1,093,665)</u>
Increase in cash and cash equivalents	<u>136,806</u>	<u>73,520</u>
Cash and cash equivalents, beginning of year	691,557	618,037
Cash and cash equivalents, end of year	<u>\$ 828,363</u>	<u>\$ 691,557</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 226,954	\$ 776,107
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	139,379	134,989
Decrease (increase) in accounts receivable	90,882	(70,332)
Decrease (increase) in prepaid expenses	8,802	(6,379)
Decrease (increase) in lease receivable receivable	(13,524)	-
Increase (decrease) in due to UWF	(53,120)	13,771
Increase (decrease) in accounts payable	1,450	(4,615)
Increase (decrease) in accrued liabilities	(1,008)	1,057
Increase (decrease) in unearned revenue	(263,009)	322,587
Total adjustments	<u>(90,148)</u>	<u>391,078</u>
Net cash provided by operating activities	<u>\$ 136,806</u>	<u>\$ 1,167,185</u>

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

UWF BUSINESS ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies of UWF Business Enterprises, Inc. ("BEI"), which affect significant elements of the accompanying financial statements:

(a) **Organization and operations**— UWF Business Enterprises, Inc. 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.

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

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

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

(c) **Operating revenues and expenses**—Operating revenues and expenses generally result from providing services in connection with Dining Services, Bookstore Services, and Argonaut Village. Operating revenues are from commissions, service and management arrangements, contributions in kind and rental operations. Operating expenses are primarily from food and bookstore management, 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.

(d) **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.

UWF BUSINESS ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Accounts receivable**—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. Accounts receivable balances were \$21,099 and \$111,980 for the years ended June 30, 2021 and 2020, respectively. Allowance for doubtful accounts was \$0 as of June 30, 2021 and 2020.

(f) **Due to/from the University of West Florida**—Due to the University of West Florida, includes commissions owed to the University by BEI related to bookstore and dining operations:

(g) **Capital Assets**— Capital assets consist of land, buildings and improvements, equipment, furniture and fixtures, 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
Maintenance Equipment	7 to 10 Years
Furniture and Fixtures	7 Years
Office Equipment	5 Years
Software	5 Years

(h) **Lease receivable**—BEI receives rental income from several vendors who lease space from BEI. Typically, rental agreements are structured with payment increases over the life of the lease. BEI recognizes revenue on a straight-line basis. Timing differences between rent payments received and revenue recognition are reported as a lease receivable. Lease receivables were \$50,967 and \$37,443 as of June 30, 2021 and 2020, respectively.

(i) **Income taxes**—Pursuant to a determination letter received from the Internal Revenue Service, the BEI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and as such, is liable for tax only on business income unrelated to the purpose for which it is exempt. No provision for income tax expense or liability has been made. There are currently no Internal Revenue Service audits in progress for any tax period. With few exceptions, the BEI is no longer subject to examination by major tax jurisdictions for years ended June 30, 2017 and prior.

(j) **Reclassification**—Certain accounts in the prior year information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

UWF BUSINESS ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **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 disclose of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(l) **Unearned Service and Management Arrangement Income**— Unearned service and management arrangement income represents amounts received in advance related to service and management arrangement contracts. Typically, amounts are recognized as revenue on a straight line basis over the contract period, as indicated in the contracts.

(m) **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.

(2) **Deposits:**

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, BEI's deposits may not be returned. At year end, the carrying amount of BEI's deposits was \$828,362 and the bank balance was \$836,643. Of the bank balance, \$250,000 was covered by Federal depository insurance or by collateral held by the BEI's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

(3) **Capital Assets:**

Capital assets consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 94,265	\$ -	\$ -	\$ -	\$ 94,265
Buildings	3,920,227	-	-	-	3,920,227
Building Improvements	350,436	-	-	-	350,436
Furniture and Fixtures	129,379	-	-	-	129,379
	<u>4,494,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,494,307</u>
Less: Accumulated Depreciation	(590,975)	(139,379)	-	-	(730,354)
Total	<u>\$ 3,903,332</u>	<u>\$ (134,379)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,763,953</u>

UWF BUSINESS ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(3) **Capital Assets:** (Continued)

Capital assets consisted of the following at June 30, 2020:

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 94,265	\$ -	\$ -	\$ -	\$ 94,265
Buildings	3,896,399	23,828	-	-	3,920,227
Building Improvements	18,794	17,555	-	314,088	350,436
Furniture and Fixtures	127,464	1,915	-	-	129,379
Construction in Progress	314,088	-	-	(314,088)	-
	4,451,010	43,298	-	-	4,494,307
Less: Accumulated Depreciation	(455,986)	(134,989)	-	-	(590,975)
Total	<u>\$ 3,995,024</u>	<u>\$ (91,691)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,903,332</u>

Depreciation expense amounted to \$139,379 and \$134,989 for the years ended June 30, 2021 and 2020, respectively.

(4) **Service and Management Arrangements:**

Dining services- 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 unearned advanced commissions. The agreement also provided a \$900,000 unrestricted grant to be used in furthering BEI's mission and up to \$3.575 million in dining and retail capital improvements. As of June 30, 2021, \$3.385 million in renovations were completed and began being amortized. All capital improvements provided under the contract are donated to the University.

During the year ended 2021, BEI entered into a new MOU with the dining services vendor which replaced the original contract language that amortized the service and management arrangement payments through May 2033 with new language that now will now amortize the service and management service arrangement payments through May 2038. The increase in the amortization period resulted in an increase in the unearned service and management arrangement income liability of approximately \$500,000 and is reported as a reduction on service and management arrangement income during the year ended June 30, 2021.

The \$6.1 million contract buyout funds, the \$900,000 unrestricted grant, current capital improvements and any future improvements to be made under the agreement are recorded as unearned service and management arrangement income when received and amortized to revenue on a straight-line basis through May 2038.

UWF BUSINESS ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(4) Service and Management Arrangements: (Continued)

Bookstore operations- 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, 2020, 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, 2021 and 2020, 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.

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

Unearned income consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Unamortized Unearned Income from Dining Services Agreement	\$ 8,889,200	\$ 9,092,209
Unamortized Unearned Income from Bookstore Services Agreement	75,000	135,000
Total Unearned Income from Service and Management Arrangements	<u>\$ 8,964,200</u>	<u>\$ 9,227,209</u>

UWF BUSINESS ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(4) **Service and Management Arrangements:** (Continued)

Changes in unearned service and management arrangement income were as follows at June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Unearned Service and Management Arrangement Income	<u>\$ 9,227,209</u>	<u>\$ 503,914</u>	<u>\$ (766,923)</u>	<u>\$8,964,200</u>	<u>\$ 588,072</u>

Changes in unearned service and management arrangement income were as follows at June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Unearned Service and Management Arrangement Income	<u>\$ 8,904,622</u>	<u>\$ 1,050,368</u>	<u>\$ (727,781)</u>	<u>\$9,227,209</u>	<u>\$ 766,924</u>

(5) **Contingencies:**

During the year ended June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the BEI as of September 7, 2021 management believes that a material impact on the BEI's financial position and results of future operations is reasonably possible.

(6) **Related Parties:**

The University provides administrative, managerial and facilities support for BEI. For the years ended June 30, 2021 and 2020, BEI disbursed \$184,799 and \$268,446, respectively, to the University for food service management pursuant to the Agreement discussed in Note (4). For the years ended June 30, 2021 and 2020, BEI disbursed \$298,435 and \$309,060, respectively, to the University for bookstore management pursuant to the Agreement discussed in Note (4). Amounts owed to the University for auxiliary services at June 30, 2021 and 2020 were \$17,894 and \$71,014, respectively.

UWF BUSINESS ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(7) Management agreement with the 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.

(8) Recently Issued Accounting Pronouncements:

GASB issued Statement No. 87, Leases, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The provisions in GASB 87 are effective for periods beginning after June 15, 2021. UWF Business Enterprises, Inc. is currently evaluating the effects that implementation of the new standards will have on its financial position, results of operations, and cash flows.

(9) Property Leased to Others.

BEI leases space to both University affiliated tenants and other commercial tenants under operating leases agreements. At June 30, 2021, approximate future minimum rental payments to be received under the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>University-Affiliated Tenants</u>	<u>Commercial Tenants</u>	<u>Total</u>
2022	\$ 97,766	\$ 87,010	\$ 184,776
2023	69,029	88,750	157,779
2024	40,735	90,525	131,260
2025	-	92,336	92,336
2026	-	94,182	94,182
Thereafter	-	65,144	65,144
Total	<u>207,530</u>	<u>517,947</u>	<u>725,477</u>

Total rental income for the years ended June 30, 2021 and 2020 was \$232,521 and \$243,025, respectively.

(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, 2021 and 2020. BEI is not aware of any liabilities related to these risks as of June 30, 2021.

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, 2021 and 2020.

UWF BUSINESS ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(11) **In-kind Contributions:**

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 BEIs by the University at no cost.

Rent for space utilized by BEI and owned by the University was estimated at \$3,986 and \$4,146, respectively, for the years ended June 30, 2021 and 2020. Administrative and fiscal services provided to BEI was estimated at \$211,680 for the year ended June 30, 2021. Amounts for in-kind contributions are not included in the financial statements.

(12) **Revenue Concentrations:**

During the year ended June 30, 2021 and 2020, BEI received approximately 72% and 80%, respectively, of its operating revenues from its two largest vendors.

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

To the Board of Directors,
UWF Business Enterprises, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of UWF Business Enterprises, Inc., which comprise the statement of net position as of June 30, 2021, and the related statements of revenue, expenses, and change of net position, and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated September 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UWF Business Enterprises, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 UWF Business Enterprises, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of UWF Business Enterprises, Inc.'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.

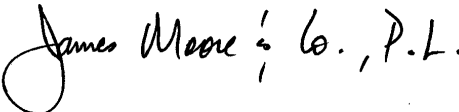
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 UWF Business Enterprises, Inc.'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

James Moore & Co., P.L.

Tallahassee, Florida
September 7, 2021

SUPPLEMENTAL INFORMATION

UWF BUSINESS ENTERPRISES, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Administrative	\$ 251	\$ 2,534
Bank fees	1	6
Miscellaneous	2,303	4,459
Office supplies	61	4,118
Postage	26	36
Professional fees	21,209	19,597
Taxes and licenses	61	61
Travel and entertainment	-	246
Utilities	2,639	1,455
Wages	74,812	37,242
Total	<u>\$ 101,363</u>	<u>\$ 69,754</u>

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

UWF BUSINESS ENTERPRISES, INC.
SCHEDULE OF ARGONAUT VILLAGE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Insurance	\$ 13,697	\$ 11,011
Miscellaneous	-	44
Postage	31	48
Repairs and maintenance	31,775	31,731
Taxes and licenses	8,989	6,186
Utilities	28,281	29,080
Total	<u>\$ 82,773</u>	<u>\$ 78,100</u>

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