

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2015 and 2014**

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Economic Development Commission
of Florida's Space Coast, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Economic Development Commission of Florida's Space Coast, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors of
Economic Development Commission
of Florida's Space Coast, Inc.
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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Economic Development Commission of Florida's Space Coast, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by the Florida Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The financial statements of Economic Development Commission of Florida's Space Coast, Inc. for the year ended September 30, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on January 26, 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 27, 2016, on my consideration of Economic Development Commission of Florida's Space Coast, Inc.'s internal control over financial reporting and on my 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 my 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 Economic Development Commission of Florida's Space Coast, Inc.'s internal control over financial reporting and compliance.

Lark Janes CPA LLC

Lark Janes CPA LLC
Certified Public Accountant
January 27, 2016

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,021,082 | \$ 607,408 |
| Accounts receivable, net of allowance of \$15,000 in 2015 and \$35,000 in 2014 | 63,472 | 72,225 |
| Contracts receivable | - | 116,671 |
| Grants receivable | 74,813 | 440,526 |
| Prepaid expenses | 23,091 | 52,890 |
| Cash, restricted for grant subrecipients | 2,244,263 | 4,386,113 |
| TOTAL CURRENT ASSETS | <u>3,426,721</u> | <u>5,675,833</u> |
| PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$109,457 in 2015 and \$102,528 in 2014 | <u>21,310</u> | <u>30,495</u> |
| OTHER ASSETS | | |
| Intangible assets, net of accumulated amortization of \$25,802 in 2015 and \$45,774 in 2014 | <u>845</u> | <u>530</u> |
| TOTAL ASSETS | <u><u>\$ 3,448,876</u></u> | <u><u>\$ 5,706,858</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 28,976 | \$ 148,382 |
| Accrued expenses | 125,377 | 134,987 |
| Deferred revenue | 2,252,263 | 4,398,083 |
| TOTAL LIABILITIES | <u>2,406,616</u> | <u>4,681,452</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 637,818 | 620,964 |
| Designated | 404,442 | 404,442 |
| TOTAL NET ASSETS | <u>1,042,260</u> | <u>1,025,406</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 3,448,876</u></u> | <u><u>\$ 5,706,858</u></u> |

The accompanying notes to the financial statements are an integral part of this statement.

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**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| SUPPORT AND REVENUES | | |
| Brevard County | \$ 1,400,050 | \$ 1,400,050 |
| Investor payments | 501,020 | 521,476 |
| Investor meetings and functions | 45,500 | 59,534 |
| State grants | 2,222,017 | 3,619,753 |
| Federal grants | 63,514 | - |
| Program sponsorships | 20,350 | - |
| Interest income | 3,013 | 2,250 |
| Other income | 4,422 | - |
| | <hr/> | <hr/> |
| TOTAL SUPPORT AND REVENUE | <u>4,259,886</u> | <u>5,603,063</u> |
| EXPENSES | | |
| Program services | | |
| Economic development | 3,777,549 | 5,404,949 |
| Supporting services | | |
| Management and general | 465,483 | 425,426 |
| | <hr/> | <hr/> |
| TOTAL EXPENSES | <u>4,243,032</u> | <u>5,830,375</u> |
| CHANGE IN NET ASSETS | 16,854 | (227,312) |
| NET ASSETS AT BEGINNING OF YEAR | <u>1,025,406</u> | <u>1,252,718</u> |
| NET ASSETS AT END OF YEAR | <u><u>\$ 1,042,260</u></u> | <u><u>\$ 1,025,406</u></u> |

The accompanying notes to the financial statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2015**

| | Program Services <u>Economic Development</u> | Support Services <u>Management and General</u> | 2015 Total Expenses |
|--|--|--|---------------------------|
| EXPENSES | | | |
| Advertising and promotion | \$ 149,907 | \$ - | \$ 149,907 |
| Association dues | 8,856 | - | 8,856 |
| Data and research services | 50,780 | - | 50,780 |
| Education and training | 7,573 | 2,177 | 9,750 |
| Expenses under grants | 2,256,653 | - | 2,256,653 |
| Facilities/occupancy | 81,400 | 30,107 | 111,507 |
| Health, disability, liability and workers' compensation insurance | 134,605 | 38,699 | 173,304 |
| Meetings and functions | 62,850 | - | 62,850 |
| Miscellaneous | - | 3,878 | 3,878 |
| Office and administrative | - | 28,427 | 28,427 |
| Payroll taxes | 56,027 | 16,108 | 72,135 |
| Postage | 1,053 | 389 | 1,442 |
| Printing | 3,254 | 1,204 | 4,458 |
| Professional fees | 32,757 | 63,063 | 95,820 |
| Retirement contributions | 90,172 | 25,924 | 116,096 |
| Salaries | 779,005 | 223,963 | 1,002,968 |
| Telephone | 7,868 | 2,910 | 10,778 |
| Travel and auto | 6,209 | - | 6,209 |
| Website maintenance and enhancement | 35,786 | 3,976 | 39,762 |
| Bad debt expense | - | 22,400 | 22,400 |
| TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION | 3,764,755 | 463,225 | 4,227,980 |
| Depreciation | 12,382 | 2,185 | 14,567 |
| Amortization | 412 | 73 | 485 |
| TOTAL FUNCTIONAL EXPENSES | \$ 3,777,549 | \$ 465,483 | \$ 4,243,032 |

The accompanying notes to the financial statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2014**

| | Program Services | Support Services | 2014 Total Expenses |
|--|-------------------------|---------------------------|---------------------------|
| | Economic Development | Management and General | |
| EXPENSES | | | |
| Advertising and promotion | \$ 131,931 | \$ - | \$ 131,931 |
| Association dues | 7,832 | - | 7,832 |
| Data and research services | 50,824 | - | 50,824 |
| Education and training | 11,990 | 3,381 | 15,371 |
| Expenses under grants | 3,619,753 | - | 3,619,753 |
| Facilities/occupancy | 80,715 | 29,854 | 110,569 |
| Health, disability, liability and workers' compensation insurance | 145,682 | 41,090 | 186,772 |
| Meetings and functions | 85,511 | - | 85,511 |
| Miscellaneous | - | 1,038 | 1,038 |
| Office and administrative | - | 30,204 | 30,204 |
| Payroll taxes | 55,793 | 15,736 | 71,529 |
| Postage | 1,977 | 731 | 2,708 |
| Printing | 4,114 | 1,522 | 5,636 |
| Professional fees | 242,974 | 23,783 | 266,757 |
| Retirement contributions | 111,277 | 31,385 | 142,662 |
| Salaries | 802,016 | 226,209 | 1,028,225 |
| Telephone | 9,249 | 3,421 | 12,670 |
| Travel and auto | 4,424 | - | 4,424 |
| Website maintenance and enhancement | 28,095 | 3,122 | 31,217 |
| Bad debt expense | - | 12,045 | 12,045 |
| TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION | 5,394,157 | 423,521 | 5,817,678 |
| Depreciation | 10,664 | 1,882 | 12,546 |
| Amortization | 128 | 23 | 151 |
| TOTAL FUNCTIONAL EXPENSES | \$ 5,404,949 | \$ 425,426 | \$ 5,830,375 |

The accompanying notes to the financial statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 16,854 | \$ (227,312) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 14,567 | 12,546 |
| Amortization | 485 | 150 |
| Loss on disposal of assets | 306 | 40 |
| Provision for bad debts | (20,000) | - |
| (Increase) decrease in assets: | | |
| Accounts receivable | 28,753 | (13,170) |
| Contracts receivable | 116,671 | - |
| Grant receivable | 365,713 | 2,514,036 |
| Prepaid expenses | 29,799 | 69,338 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (119,407) | 46,836 |
| Accrued expenses | (9,609) | (1,523) |
| Deferred revenue | (2,145,820) | 1,432,117 |
| CASH PROVIDED (USED) BY OPERATIONS | <u>(1,721,688)</u> | <u>3,833,058</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (5,688) | (18,478) |
| Purchase of intangible assets | (800) | (636) |
| CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>(6,488)</u> | <u>(19,114)</u> |
| NET CHANGE IN CASH | (1,728,176) | 3,813,944 |
| CASH, BEGINNING OF YEAR | <u>4,993,521</u> | <u>1,179,577</u> |
| CASH, END OF YEAR | <u>\$ 3,265,345</u> | <u>\$ 4,993,521</u> |

The accompanying notes to the financial statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Economic Development Commission of Florida's Space Coast, Inc. (the Commission) is the lead agency in Brevard County for the recruitment and retention of value-added manufacturing and technology-focused companies. It is supported primarily through contracts, grants and investor payments.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. For the fiscal years ended September 30, 2015 and 2014, all net assets were classified as unrestricted.

Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all unrestricted highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Commission did not hold any cash equivalents at September 30, 2015 or 2014.

Accounts and Grants Receivable

The Commission records accounts receivable when incurred and grants receivable when entitled to reimbursement at reporting intervals established in grant agreements. Management reviews receivables weekly for past due accounts, with balances over 90 days subject to review and follow-up by the President/CEO. Past due notices are sent to investors with balances exceeding 60 days and accounts greater than 120 days old are generally written off.

The Commission has established an allowance for uncollectible accounts and grants. Provision for uncollectible accounts is made based on several factors, including aging analysis and past experience.

Equipment and Depreciation

The Commission capitalizes all expenditures for equipment with a value in excess of \$500 and a useful life greater than one year. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment and Depreciation (continued)

Commission reports expirations of donor restrictions when the donated acquired assets are placed in service as instructed by the donor. The Commission reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the assets' expected useful lives.

Revenue Recognition

All support and revenues are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Commission had no temporarily or permanently restricted net assets in fiscal 2015 or 2014.

Donated Services and Materials

Donated services and materials are reflected in the financial statements at the fair value of the services and materials received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During fiscal years 2015 and 2014, approximately \$49,000 and \$35,000, respectively, has been recognized as donated revenue, primarily for investor payments, and expenses, primarily in program services.

Advertising Costs

Advertising costs are expensed when incurred.

Estimates

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

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Commission is exempt from income tax under Section 501(c) (6) of the U.S. Internal Revenue Code.

The Commission uses the FASB ASC 450-10, Loss Contingencies, approach for evaluation of uncertain tax positions.

Reclassifications

Certain reclassifications of 2014 financial information have been made to conform to the 2015 presentation. Such reclassifications have no effect on change in net assets for that fiscal year.

NOTE 2 - OFF BALANCE SHEET CREDIT RISK

The Commission maintains cash in banks in amounts that are from time to time in excess of federally insured limits. The Commission had approximately \$116,000 and \$72,000 subject to this credit risk at September 30, 2015 and 2014, respectively.

The Commission has established some accounts with financial institutions that are certified as "Qualified Public Depositories (QPDs)", as required under the Florida Public Deposits Act. This law requires every qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of an amount to be determined by the State Treasurer, and requires the State Treasurer to ensure that funds are entirely collateralized throughout the fiscal year. As of September 30, 2015, the Commission's deposits with QPDs totaled \$2.595 million, of which \$2.2 million is held for payments to subrecipients of a state grant.

NOTE 3 - PROPERTY AND EQUIPMENT

At September 30, 2015 and 2014, property and equipment consisted of the following:

| | 2015 | | | Estimated Life |
|------------------------|-------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Depreciation | Net Book Value | |
| Equipment | \$ 99,994 | \$ 81,088 | \$ 18,906 | 3-5 yrs. |
| Furniture and fixtures | 30,773 | 28,369 | 2,404 | 5-10 yrs. |
| Total | <u>\$ 130,767</u> | <u>\$ 109,457</u> | <u>\$ 21,310</u> | |

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)

| | 2014 | | | Estimated Life |
|------------------------|-------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Depreciation | Net Book Value | |
| Equipment | \$ 102,250 | \$ 76,353 | \$ 25,897 | 3-5 yrs. |
| Furniture and fixtures | 30,773 | 26,175 | 4,598 | 5-10 yrs. |
| Total | <u>\$ 133,023</u> | <u>\$ 102,528</u> | <u>\$ 30,495</u> | |

NOTE 4 – INTANGIBLE ASSETS

Intangible assets at September 30, 2015 and 2014 consisted of the following:

| | 2015 | 2014 |
|--------------------------------|---------------|---------------|
| Software | \$ 26,647 | \$ 46,304 |
| Less: Accumulated amortization | <u>25,802</u> | <u>45,774</u> |
| Net unamortized value | <u>\$ 845</u> | <u>\$ 530</u> |

The intangible assets above are being amortized over useful lives of two to three years, and are expected to be fully amortized within two years.

NOTE 5 – LINE OF CREDIT

The Commission maintains a business line of credit with a financial institution. At both September 30, 2015 and 2014, the line had a principal amount available for borrowing of \$250,000. The line of credit bears interest at 5.00 percent. Principal is due on demand and interest is due monthly. The line is secured with a Commercial Security Agreement which defines collateral to include all assets, personal property, and accounts receivable. At September 30, 2015 and 2014, there was no principal amount outstanding, leaving \$250,000 of unused credit available to the Commission.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 6 – ACCRUED EXPENSES

Accrued expenses at September 30, 2015 and 2014 consisted of the following:

| | 2015 | 2014 |
|------------------------|-------------------|-------------------|
| Accrued compensation | \$ 123,799 | \$ 128,919 |
| Other accrued expenses | <u>1,578</u> | <u>6,068</u> |
| Total | <u>\$ 125,377</u> | <u>\$ 134,987</u> |

NOTE 7 – DEFERRED REVENUE

Deferred revenue at September 30, 2015 totaling \$2,252,263 consists of \$2,244,263 grant amounts invoiced in excess of revenue earned at year end and \$8,000 sponsorships received in advance of the annual meeting. Deferred revenue at September 30, 2014 totaling \$4,398,083 consists of \$4,386,113 grant amounts invoiced in excess of revenue earned at year end and \$12,000 sponsorships received in advance of the annual meeting to be held in the subsequent fiscal year.

NOTE 8 – DESIGNATIONS OF NET ASSETS

Unrestricted funds in the amount of \$404,442 at both September 30, 2015 and 2014, respectively, have been designated by the Board of Directors as an operational reserve. The Commission has an operating reserve policy to ensure financial stability. The policy defines a target amount for funding the reserve, which is to be determined annually based on operating costs.

NOTE 9 – OPERATING LEASES

The Commission leases its office space under an operating lease with a term of 60 months, from August 2012 to July 2016. The lease requires monthly rent payments in the amount of \$7,671, increased to \$7,715 in August 2015. Lease payments include taxes, insurance, and certain utilities and maintenance. Payments are adjusted annually based on the Consumer Price Index; however, the new rate cannot be lower than the previous year. The lease includes an option to renew for an additional five years. The lease also includes an early termination clause, which permits the Commission to terminate the lease with six months' notice in case of a significant reduction in funding from Brevard County. In the event the lease is terminated early, the Commission would remain obligated to pay an amount equaling \$450 per month for any remaining months in the initial term of the lease.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 – OPERATING LEASES (CONTINUED)

Minimum future lease payments under the non-cancelable operating lease through the end of the term in 2016 total \$77,148.

Rent expense for fiscal years ended September 30, 2015 and 2014 totaled approximately \$91,000 and \$91,000, respectively.

NOTE 10 – EXPENSES UNDER GRANTS

Expenses incurred in carrying out the purposes of various grants totaled \$2,256,653 and \$3,619,753 for fiscal years ended September 30, 2015 and 2014, respectively. These expenses include payments to entities that have received pass-through grant awards from the Commission (subrecipient payments). In fiscal years ended September 30, 2015 and 2014, the subrecipient payments were \$2,141,850 and \$3,441,621, respectively.

NOTE 11 – RETIREMENT PLAN

The Commission has a non-contributory defined contribution retirement plan that covers employees who have one year of full-time, non-temporary service. Contributions to the plan are equal to 15% of each eligible employee's salary. During fiscal 2015 and 2014, plan contributions charged to operations were \$116,096 and \$141,662, respectively.

NOTE 12 – REVENUE SOURCES AND CONCENTRATIONS

The Commission receives money from public sources, primarily from the Board of County Commissioners of Brevard County, Florida and various grantors, and from private sources, primarily investors.

There is a concentration of credit risk with respect to the volume of support the Commission receives from certain funding sources. The Commission received \$1,400,050, or thirty-three percent (33%), and \$1,400,050, or thirty-five percent (35%), of its support and revenues from the Board of County Commissioners of Brevard County, Florida for fiscal years 2015 and 2014, respectively. In addition, the Commission recognized revenue totaling \$2,141,850, or fifty percent (50%) and \$3,564,334, or sixty-four percent (64%) of its support and revenues under a grant agreement with the Florida Department of Economic Opportunity for fiscal years 2015 and 2014, respectively.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 12 – REVENUE SOURCES AND CONCENTRATIONS (CONTINUED)

In addition, there is a concentration of risk associated with receivables from the following parties:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-------------|-------------|
| Florida Dept of Economic Opportunity | 10% | 58% |
| Brevard County, Florida | 0% | 18% |
| Enterprise Florida, Inc | 20% | 8% |
| NASA | 18% | 0% |

Effective July 1, 2012, the Commission was awarded a grant from the Florida Department of Economic Opportunity to fund and implement an innovative economic development program, including commercialization of research and development, economic diversification and job creation. The grant totals \$10,000,000 and has a term of two years. Grant revenue of \$2,141,850 and \$3,564,334 has been recognized in the fiscal years ended September 30, 2015 and 2014, respectively. The full amount of the grant has been awarded to the Commission by the state, and remaining amounts will be recognized as revenue in future fiscal years as earning criteria are met.

NOTE 13 – FAIR VALUE MEASUREMENTS

FASB ASC 825-10, Disclosure about Fair Value of Financial Instruments, requires disclosure of an estimate of fair value of certain financial instruments. The Commission's significant financial instruments are cash, accounts and grants receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

In 2013, the Commission was sued by the Brevard County Clerk of the Court. The suit was filed to require the Commission's disclosure of certain confidential records related to a prospect company previously assisted by the Commission. The Clerk of the Court argued that the company's confidential records are public records once they are in the hands of the Commission. The Clerk of the Court also sued to recover its attorneys' fees. In early 2014, the trial court ruled in favor of the Clerk of the Court on the public records issue, finding that the company records are public records. The trial court ruled against the Clerk of the Court on the attorneys' fee issue, denying an award of attorneys' fees and costs. The Commission appealed the lower court's ruling that documents in possession of the Commission are public records. The Clerk of the Court cross-appealed the trial court's denial of an award of attorneys' fees and costs. In 2015 the Fifth District Court of Appeal overturned the Circuit Court's judgement. In addition, the cross-appeal by the Clerk for legal fees was rejected in light of the reversal of the merits ruling. The case has been returned to the Circuit Court to determine whether the Commission is subject to public records law utilizing the "totality of the factors" test as set forth in Florida case law. Both

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

parties have agreed to mediation in an attempt to resolve the case without the need for further briefing by the parties or rulings from the Circuit Court. The outcome of this lawsuit and the financial effects, if any, cannot be determined at this time.

Certain contracts and grants received by the Commission are subject to review by grantor agencies. As a result of these reviews, the Commission may be required to repay a portion of grant or contract funds received. However, management does not believe any liability related to its grants and contracts would be material.

The Commission has commitments to make payments of approximately \$2.2 million to subrecipients over various future periods extending through fiscal 2017.

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through January 27, 2016, the date the financial statements were available to be issued.

**ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2015**

| Federal or State Agency/Pass-through Entity/ Federal Program/State Project | CFDA/ CSFA No. | Contract/ Grant No. | <u>Expenditures</u> | <u>Transfers to Subrecipients</u> |
|---|----------------------|---------------------------|---------------------|---------------------------------------|
| Federal Awards: | | | | |
| National Aeronautics and Space Administration | | | | |
| Direct | | | | |
| Space Operations | 43.007 | NNX15AB54A | \$ 63,514 | \$ - |
| Total Expenditures of Federal Awards | | | <u>\$ 63,514</u> | <u>\$ -</u> |
| State Financial Assistance: | | | | |
| Department of Economic Opportunity | | | | |
| Direct: | | | | |
| Space Florida | 40.004 | SB13011 | \$ 2,141,850 | \$ 2,141,850 |
| Indirect: | | | | |
| Passed through Enterprise Florida, Inc. | | | | |
| Military Base Protection | 40.014 | DRG 14-11 | 14,581 | - |
| | 40.014 | DRG 15-10 | 50,270 | - |
| Passed through Department of Economic Opportunity | | | | |
| Local Economic Development Initiatives | 40.012 | DRG S0037 | 15,317 | - |
| Total Expenditures of State Financial Assistance | | | <u>\$ 2,222,017</u> | <u>\$ 2,141,850</u> |

Note to Schedule of Expenditures of Federal Awards and State Financial Assistance

The Schedule is presented on the accrual basis of accounting and includes federal and state grant expenditures of Economic Development Commission of Florida's Space Coast, Inc. The information in this Schedule is presented in accordance with Florida Single Audit Act and Chapter 10.650, *Rules of the State of Florida Auditor General*.

**ADDITIONAL ELEMENTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS,
THE FLORIDA SINGLE AUDIT ACT, AND
RULES OF THE AUDITOR GENERAL**



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

To the Board of Directors
Economic Development Commission of Florida's Space Coast, Inc.

I 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 Economic Development Commission of Florida's Space Coast, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated January 27, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Economic Development Commission of Florida's Space Coast, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Economic Development Commission of Florida's Space Coast, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Economic Development Commission of Florida's Space Coast, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lark Janes CPA LLC
Lark Janes CPA LLC
Certified Public Accountant
January 27, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE FLORIDA SINGLE AUDIT ACT AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors
Economic Development Commission of Florida's Space Coast, Inc.

Report on Compliance for Each Major State Project

I have audited Economic Development Commission of Florida's Space Coast, Inc.'s compliance with the types of compliance requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of Economic Development Commission of Florida's Space Coast, Inc.'s major state projects for the year ended September 30, 2015. Economic Development Commission of Florida's Space Coast, Inc.'s major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Economic Development Commission of Florida's Space Coast, Inc.'s major state projects based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Florida Single Audit Act (FSAA), and Chapter 10.650, Rules of the Auditor General of the State of Florida. Those standards, rules and FSAA require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Economic Development Commission of Florida's Space Coast, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state project. However, my audit does not provide a legal determination of Economic Development Commission of Florida's Space Coast, Inc.'s compliance.

Opinion on Each Major State Project

In my opinion, Economic Development Commission of Florida's Space Coast, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of Economic Development Commission of Florida's Space Coast, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Economic Development Commission of Florida's Space Coast, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with FSAA and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Economic Development Commission of Florida's Space Coast, Inc.'s internal control over compliance.

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

My consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of FSAA and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Lark Janes CPA LLC
Lark Janes CPA LLC
Certified Public Accountant
January 27, 2016

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**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Economic Development Commission of Florida's Space Coast, Inc.
2. Internal control deficiencies disclosed during the audit of the financial statement is reported in the 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*: none disclosed.
3. No instances of noncompliance material to the financial statements of Economic Development Commission of Florida's Space Coast, Inc. were disclosed during the audit.
4. Reportable conditions in internal control over major state projects: none reported as a result of the audit.
5. The auditor's report on compliance for the major state project for Economic Development Commission of Florida's Space Coast, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major state project for Economic Development Commission of Florida's Space Coast, Inc. that the auditor is required to report under Rules of the Auditor General Chapter 10.656.
7. The project tested as a major project included:

Space Florida, Inc. 40.004
8. The threshold for distinguishing Type A and B projects was \$300,000.
9. No items related to state financial assistance that are required to be reported in a management letter were found as a result of the audit.

FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

None

FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS AUDIT

REPORTABLE CONDITIONS

None

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**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2015**

FINDINGS – FINANCIAL STATEMENT AUDIT

FINDING 2014-1. Beginning Equity Not in Agreement with Prior Year Amount

Current status: This condition did not recur. This issue has been cleared.

FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS AUDIT

None