

**ECONOMIC DEVELOPMENT COMMISSION  
OF FLORIDA'S SPACE COAST, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2016 and 2015**

**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, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years 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.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated February 10, 2017, 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  
February 10, 2017

**ECONOMIC DEVELOPMENT COMMISSION  
OF FLORIDA'S SPACE COAST, INC.  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,071,934	\$ 1,021,082
Accounts receivable, net of allowance of \$15,000 in 2016 and \$15,000 in 2015	93,125	63,472
Grants receivable	48,101	74,813
Prepaid expenses	31,625	23,091
Cash, restricted for grant subrecipients	1,521,425	2,244,263
TOTAL CURRENT ASSETS	<u>2,766,210</u>	<u>3,426,721</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$58,331 in 2016 and \$109,457 in 2015	<u>64,784</u>	<u>21,310</u>
OTHER ASSETS		
Deposits	10,128	-
Intangible assets, net of accumulated amortization of \$26,414 in 2016 and \$25,802 in 2015	233	845
TOTAL OTHER ASSETS	<u>10,361</u>	<u>845</u>
TOTAL ASSETS	<u>\$ 2,841,355</u>	<u>\$ 3,448,876</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 43,988	\$ 28,976
Accrued expenses	122,798	125,377
Deferred revenue	1,537,075	2,252,263
TOTAL LIABILITIES	<u>1,703,861</u>	<u>2,406,616</u>
NET ASSETS		
Unrestricted		
Undesignated	733,052	637,818
Designated	404,442	404,442
TOTAL NET ASSETS	<u>1,137,494</u>	<u>1,042,260</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,841,355</u>	<u>\$ 3,448,876</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>SUPPORT AND REVENUES</b>		
Brevard County	\$ 1,400,050	\$ 1,400,050
Investor payments	527,449	501,020
Investor meetings and functions	50,685	45,500
State grants	822,494	2,222,017
Federal grants	46,950	63,514
Program sponsorships	22,650	20,350
Interest income	2,745	3,013
Other income	18,587	4,728
Gain (loss) on disposal of assets	2,500	(306)
	<hr/>	<hr/>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,894,110</u>	<u>4,259,886</u>
<b>EXPENSES</b>		
Program services		
Economic development	2,330,142	3,777,549
Supporting services		
Management and general	468,734	465,483
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<b>TOTAL EXPENSES</b>	<u>2,798,876</u>	<u>4,243,032</u>
<b>CHANGE IN NET ASSETS</b>	95,234	16,854
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,042,260</u>	<u>1,025,406</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 1,137,494</u></u>	<u><u>\$ 1,042,260</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, 2016**

	Program Services <u>Economic Development</u>	Support Services <u>Management and General</u>	2016 Total Expenses
<b>EXPENSES</b>			
Advertising and promotion	\$ 142,870	\$ -	\$ 142,870
Association dues	10,668	-	10,668
Data and research services	17,673	-	17,673
Education and training	11,094	3,189	14,283
Expenses under grants	831,726	-	831,726
Facilities/occupancy	81,859	30,276	112,135
Health, disability, liability and workers' compensation insurance	128,033	36,809	164,842
Meetings and functions	65,387	-	65,387
Miscellaneous	-	1,537	1,537
Office and administrative	-	41,076	41,076
Payroll taxes	55,148	15,855	71,003
Postage	1,178	436	1,614
Printing	1,127	417	1,544
Professional fees	-	47,871	47,871
Retirement contributions	106,967	30,753	137,720
Salaries	813,440	233,863	1,047,303
Telephone	9,310	3,443	12,753
Travel and auto	6,843	-	6,843
Website maintenance and enhancement	33,103	3,678	36,781
Bad debt expense	-	17,110	17,110
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>2,316,426</b>	<b>466,313</b>	<b>2,782,739</b>
Depreciation	13,196	2,329	15,525
Amortization	520	92	612
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,330,142</b>	<b>\$ 468,734</b>	<b>\$ 2,798,876</b>

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	Support Services	2015 Total Expenses
	Economic Development	Management and General	
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
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>3,764,755</b>	<b>463,225</b>	<b>4,227,980</b>
Depreciation	12,382	2,185	14,567
Amortization	412	73	485
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,777,549</b>	<b>\$ 465,483</b>	<b>\$ 4,243,032</b>

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 95,234	\$ 16,854
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,525	14,567
Amortization	612	485
(Gain) loss on disposal of assets	(2,500)	306
Provision for bad debts	-	(20,000)
(Increase) decrease in assets:		
Accounts receivable	(29,653)	28,753
Contracts receivable	-	116,671
Grant receivable	26,713	365,713
Prepaid expenses	(8,535)	29,799
Increase (decrease) in liabilities:		
Accounts payable	15,012	(119,407)
Accrued expenses	(2,579)	(9,609)
Deferred revenue	(715,188)	(2,145,820)
CASH PROVIDED (USED) BY OPERATIONS	<u>(605,359)</u>	<u>(1,721,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(58,999)	(5,688)
Purchase of intangible assets	-	(800)
Payment of deposits	(10,128)	-
Proceeds from sale of furniture and equipment	2,500	-
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(66,627)</u>	<u>(6,488)</u>
NET CHANGE IN CASH	(671,986)	(1,728,176)
CASH, BEGINNING OF YEAR	<u>3,265,345</u>	<u>4,993,521</u>
CASH, END OF YEAR	<u>\$ 2,593,359</u>	<u>\$ 3,265,345</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, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Economic Development Commission of Florida's Space Coast, Inc. (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, 2016 and 2015, all net assets were classified as unrestricted.

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 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.

**ECONOMIC DEVELOPMENT COMMISSION  
OF FLORIDA'S SPACE COAST, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2016 or 2015.

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 2016 and 2015, approximately \$38,000 and \$49,000, 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.

Tax Status

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

The Organization has adopted the recognition requirements for uncertain income tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained

**ECONOMIC DEVELOPMENT COMMISSION  
OF FLORIDA'S SPACE COAST, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (continued)

upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2016.

Reclassifications

Certain reclassifications of 2015 financial information have been made to conform to the 2016 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 \$82,000 and \$116,000 subject to this credit risk at September 30, 2016 and 2015, 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, 2016, the Commission's deposits with QPDs totaled \$1.638 million, of which approximately \$1.5 million is held for future payments related to a state grant, including approximately \$1 million committed to be paid to subrecipients.

NOTE 3 - PROPERTY AND EQUIPMENT

At September 30, 2016 and 2015, property and equipment consisted of the following:

	2016			Estimated Life
	Cost	Accumulated Depreciation	Net Book Value	
Equipment	\$ 66,564	\$ 45,631	\$ 20,933	3-5 yrs.
Furniture and fixtures	21,564	12,700	8,864	5-10 yrs.
Leasehold improvements	34,987	-	34,987	5 yrs
Total	<u>\$ 123,115</u>	<u>\$ 58,331</u>	<u>\$ 64,784</u>	

**ECONOMIC DEVELOPMENT COMMISSION  
OF FLORIDA'S SPACE COAST, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)

	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>	

NOTE 4 – INTANGIBLE ASSETS

Intangible assets at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Software	\$ 26,647	\$ 26,647
Less: Accumulated amortization	<u>26,414</u>	<u>25,802</u>
Net unamortized value	<u>\$ 233</u>	<u>\$ 845</u>

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

NOTE 5 – LINE OF CREDIT

The Commission maintains a business line of credit with a financial institution. At both September 30, 2016 and 2015, the line had a principal amount of \$250,000 available for borrowing. 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, 2016 and 2015, 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, 2016 AND 2015**

NOTE 6 – ACCRUED EXPENSES

Accrued expenses at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Accrued compensation	\$ 119,602	\$ 123,799
Other accrued expenses	3,196	1,578
Total	\$ 122,798	\$ 125,377

NOTE 7 – DEFERRED REVENUE

Deferred revenue at September 30, 2016 totaling \$1,537,075 consists of \$1,521,425 grant amounts invoiced in excess of revenue earned at year end and \$15,650 sponsorships received in advance of the annual meeting to be held in the subsequent fiscal year. Deferred revenue at September 30, 2015 totaling \$2,252,263 consisted 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.

NOTE 8 – DESIGNATIONS OF NET ASSETS

Unrestricted funds in the amount of \$404,442 at both September 30, 2016 and 2015, 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 leased office space under an operating lease with a term that expired in June 2016. The lease required monthly rent payments in the amount of \$7,715. Lease payments included taxes, insurance, and certain utilities and maintenance. The Commission chose not to renew this lease but remained at the same location on a month-to-month basis through September 2016 while negotiating a lease at a different office, as described below.

In May 2016, the Commission executed a lease for a suite of offices in Rockledge, Florida, which they occupied in November 2016. The lease has a term of 60 months, from November 2016 through October 2021, with the option for two 5-year renewal terms. The lease requires monthly rent payments of \$8,987, with stipulated annual increases ranging from 3.6% to 5%. Lease payments include taxes, certain utilities, and janitorial services.

**ECONOMIC DEVELOPMENT COMMISSION  
OF FLORIDA'S SPACE COAST, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

NOTE 9 – OPERATING LEASES (CONTINUED)

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2016, for the remaining years and in the aggregate are:

Year ended September, 2017	\$ 105,278
2018	117,280
2019	120,904
2020	124,861
thereafter	<u>139,869</u>
Total	<u>\$ 608,192</u>

Rent expense for fiscal years ended September 30, 2016 and 2015 totaled approximately \$95,000 and \$91,000, respectively.

NOTE 10 – EXPENSES UNDER GRANTS

Expenses incurred in carrying out the purposes of various grants totaled \$831,726 and \$2,256,653 for fiscal years ended September 30, 2016 and 2015, 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, 2016 and 2015, the subrecipient payments were \$712,838 and \$2,141,850, respectively.

NOTE 11 – RETIREMENT PLAN

Through December 31, 2015, the Commission had a non-contributory defined contribution retirement plan that covered employees with one year of full-time, non-temporary service; employer contributions to the plan were equal to 15% of each eligible employee's salary. This plan was terminated December 31, 2015, and replaced with a profit sharing and 401(k) plan. Terms of the new plan have similar eligibility requirements, and specify that employer contributions to the plan will be 15% of eligible employees' federally taxable wages, with certain exclusions. The new plan permits employee salary deferrals up to limits approved by current law. During fiscal 2016 and 2015, plan contributions charged to operations were \$137,720 and \$116,096, 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.



**ECONOMIC DEVELOPMENT COMMISSION  
OF FLORIDA'S SPACE COAST, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

NOTE 12 – REVENUE SOURCES AND CONCENTRATIONS (CONTINUED)

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 forty-eight percent (48%), and \$1,400,050, or thirty-three percent (33%), of its support and revenues from the Board of County Commissioners of Brevard County, Florida for fiscal years 2016 and 2015, respectively. In addition, the Commission recognized revenue totaling \$822,494, or twenty-eight percent (28%) and \$2,141,850, or fifty percent (50%) of its support and revenues under grant agreements with the Florida Department of Economic Opportunity for fiscal years 2016 and 2015, respectively.

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

	<u>2016</u>	<u>2015</u>
Florida Dept of Economic Opportunity	26%	10%
Enterprise Florida, Inc	0%	20%
NASA	5%	18%

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 \$722,838 and \$2,141,850 has been recognized in the fiscal years ended September 30, 2016 and 2015, respectively. The full amount of the grant has been awarded to the Commission by the state, and amounts remaining in deferred revenue, approximately \$1,500,000, 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.

**ECONOMIC DEVELOPMENT COMMISSION  
OF FLORIDA'S SPACE COAST, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 was 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. The case was referred to mediation and a settlement agreement was reached. A final dismissal without prejudice is required to be filed by the Clerk of Courts, which we anticipate will be done no later than April 30, 2017. No additional financial effects associated with this case are anticipated.

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 funds received. However, management does not believe any liability related to its grants would be material.

The Commission has commitments to make payments of approximately \$1 million to subrecipients over various future periods expected to extend through fiscal 2023.

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through February 10, 2017, 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, 2016**

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>
<b>Federal Awards:</b>				
National Aeronautics and Space Administration				
Direct:				
Space Operations	43.007	NNX15AB54A	\$ 46,950	\$ -
Total Expenditures of Federal Awards			<u>\$ 46,950</u>	<u>\$ -</u>
<b>State Financial Assistance:</b>				
Department of Economic Opportunity				
Direct:				
Space Florida	40.004	SB13011	\$ 722,838	\$ 712,838
Local Economic Development Initiatives	40.012	S0037	59,676	-
	40.012	WL018	24,980	-
Military Base Protection	40.040	S0064	15,000	-
Total Expenditures of State Financial Assistance			<u>\$ 822,494</u>	<u>\$ 712,838</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, 2016, 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 February 10, 2017.

**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  
February 10, 2017

**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, 2016. 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 state statutes, regulations, and the terms and conditions 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, FSAA, and rules 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, 2016.

### **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  
February 10, 2017

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**ECONOMIC DEVELOPMENT COMMISSION  
OF FLORIDA'S SPACE COAST, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2016**

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 40.004
8. The threshold for distinguishing Type A and B projects was \$246,748.
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.
10. A summary schedule of prior audit findings is not presented, as there were no prior audit findings on which to report.

FINDINGS - FINANCIAL STATEMENT AUDIT

*REPORTABLE CONDITIONS*

None

FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS AUDIT

*REPORTABLE CONDITIONS*

None