

Meeting Date
March 3, 2015



AGENDA	
Section	CONSENT
Item No.	<i>II.C.3</i>

AGENDA REPORT
BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	ACKNOWLEDGE RECEIPT OF ANNUAL AUDITED FINANCIAL STATEMENTS OF THE ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
DEPT/OFFICE:	BUDGET OFFICE

Requested Action:

It is requested that the Board of County Commissioners acknowledge receipt of the annual audited financial statements for the Economic Development Commission of Florida's Space Coast, Inc.

Summary Explanation & Background:

In accordance with Florida Statute 125.045(4), the Economic Development Commission of Florida's Space Coast, Inc. is providing the Brevard County Board of County Commissioners a copy of their annual audited financial statements reflecting the financial status of the commission for the Years Ended September 30, 2014 and 2013.

Fiscal Impact: There is no financial impact.

Clerk to the Board instruction: .

Exhibits Attached: Audited Financial Statements of the Economic Development Commission of Florida's Space Coast, Inc. for the Years ended September 30, 2014 and 2013

Contract /Agreement (If attached): Reviewed by County Attorney Yes No PR

County Manager

Stockton Whitten

Assistant County Manager

Department Director / Extension

Thomas Rosenberg/X-52854

RECEIVED
FEB 18 2015
County Manager's Office



Tammy Etheridge, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001
Fax: (321) 264-6972

March 4, 2015

M E M O R A N D U M

TO: Thomas Rosenberg, Budget Office Director

RE: Item II.C.3., Acknowledge Receipt of the Annual Audited Financial Statements of the Economic Development Commission of Florida's Space Coast, Inc.

The Board of County Commissioners, in regular session on March 3, 2015, acknowledged receipt of the annual audited financial statements for the Economic Development Commission of Florida's Space Coast, Inc.

Your continued cooperation is greatly appreciated.

Sincerely,

**BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK**

Tammy Etheridge, Deputy Clerk

cc: Finance

Tom Barber



Date: January 30, 2015
To: Stockton Whitten, County Manager
From: Trudy McCarthy, Senior Director of Operations
Re: EDC of Florida's Space Coast Financial Statements,
Year Ended September 30, 2014

Enclosed is a copy of the EDC of Florida's Space Coast Financial Statements for the year ending September 30, 2014. This document is the fulfillment of our County Contract Annual Audit submission for FY13/14.

Please do not hesitate to contact me at 321-638-2000, or by email at: tmccarthy@SpaceCoastEDC.org, should you have any questions.

My signature below acknowledges receipt of the EDC of Florida's Space Coast Financial Statements, year ended September 30, 2013.

Yvette Torres
Signature

1/30/15
Date

Yvette Torres
Printed Name

RECEIVED
JAN 30 2015
County Manager's Office

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2014 and 2013**

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>Page Number</u>
Independent Auditor's Report	
FINANCIAL STATEMENTS	
Statements of Financial Position	1
Statements of Activities	3
Statement of Functional Expenses 2014	4
Statement of Functional Expenses 2013	5
Statements of Cash Flows	6
Notes to Financial Statements	7-14
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of State Financial Assistance	15
ADDITIONAL INFORMATION 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 <i>Government Auditing Standards</i>	17-18
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with the Florida Single Audit Act and Chapter 10.650, Rules of the Auditor General	19-21
Schedule of Findings and Questioned Costs	23-24
Summary Schedule of Prior Audit Findings	25
Corrective Action Plan	27

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We 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, 2014 and 2013, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Economic Development Commission of Florida's Space Coast, Inc. as of September 30, 2014 and 2013, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of 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 our 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*, we have also issued our report dated January 26, 2015, on our consideration of Economic Development Commission of Florida's Space Coast, 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 Economic Development Commission of Florida's Space Coast, Inc.'s internal control over financial reporting and compliance.


Jones, Dinho & O'Keefe LLP
Certified Public Accountants
January 26, 2015

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,993,521	\$ 1,179,577
Accounts receivable, net of allowance of \$35,000 in 2014 and \$35,000 in 2013	72,225	59,055
Contracts receivable	116,671	116,671
Grants receivable, net of allowance of \$0 in 2014 and \$0 in 2013	440,526	2,954,563
Prepaid expenses	52,890	122,228
TOTAL CURRENT ASSETS	<u>5,675,833</u>	<u>4,432,094</u>
PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$102,528 in 2014 and \$96,838 in 2013	<u>30,495</u>	<u>24,602</u>
OTHER ASSETS		
Intangible assets, net of accumulated amortization of \$45,774 in 2014 and \$48,703 in 2013	<u>530</u>	<u>44</u>
TOTAL ASSETS	<u>\$ 5,706,858</u>	<u>\$ 4,456,740</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 148,382	\$ 101,546
Accrued expenses	134,987	136,510
Deferred revenue	4,398,083	2,965,966
TOTAL LIABILITIES	<u>4,681,452</u>	<u>3,204,022</u>
NET ASSETS		
Unrestricted		
Undesignated	620,964	853,892
Designated	404,442	398,826
TOTAL NET ASSETS	<u>1,025,406</u>	<u>1,252,718</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,706,858</u>	<u>\$ 4,456,740</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
SUPPORT AND REVENUES		
Brevard County	\$ 1,400,050	\$ 1,400,050
Investor payments	521,476	455,050
Investor meetings and functions	59,534	63,907
State grants	3,619,753	2,016,920
Sublease revenue	-	18,000
Interest income	2,250	3,488
Other income	-	6,375
	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	<u>5,603,063</u>	<u>3,963,790</u>
EXPENSES		
Program services		
Economic development	5,404,949	3,171,916
Supporting services		
Management and general	425,426	430,788
	<hr/>	<hr/>
TOTAL EXPENSES	<u>5,830,375</u>	<u>3,602,704</u>
CHANGE IN NET ASSETS	(227,312)	361,086
NET ASSETS AT BEGINNING OF YEAR	<u>1,252,718</u>	<u>891,632</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,025,406</u>	<u>\$ 1,252,718</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, 2014**

	Program Services	Support Services	2014 Total
	Economic Development	Management and General	Expenses
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
Membership 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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2013**

	Program Services	Support Services	2013 Total
	Economic Development	Management and General	Expenses
EXPENSES			
Advertising and promotion	\$ 168,781	\$ -	\$ 168,781
Association dues	1,481	-	1,481
Education and training	16,577	4,406	20,983
Expenses under grants	1,587,653	-	1,587,653
Facilities/occupancy	88,208	23,448	111,656
Health, disability, liability and workers' compensation insurance	148,647	39,514	188,161
Membership meetings and functions	65,843	-	65,843
Office and administrative	-	30,913	30,913
Payroll taxes	61,842	16,439	78,281
Postage	1,740	463	2,203
Printing	651	173	824
Professional fees	2,589	22,637	25,226
Retirement contributions	112,142	29,810	141,952
Salaries	860,200	228,661	1,088,861
Telephone	14,277	3,796	18,073
Travel and auto	3,391	-	3,391
Website maintenance and enhancement	27,079	1,425	28,504
Bad debt expense	-	27,195	27,195
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	3,161,101	428,880	3,589,981
Depreciation	10,589	1,868	12,457
Amortization	226	40	266
TOTAL FUNCTIONAL EXPENSES	\$ 3,171,916	\$ 430,788	\$ 3,602,704

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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (227,312)	\$ 361,086
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	12,546	12,457
Amortization	150	266
Loss on disposal of assets	40	-
Provision for bad debts	-	(39,000)
(Increase) decrease in assets:		
Accounts receivable	(13,170)	29,098
Grant receivable	2,514,036	(908,917)
Prepaid expenses	69,338	(104,413)
Increase (decrease) in liabilities:		
Accounts payable	46,836	(272,111)
Accrued expenses	(1,523)	(8,455)
Deferred revenue	1,432,117	2,927,916
Refundable advance	-	(1,387,367)
CASH PROVIDED (USED) BY OPERATIONS	<u>3,833,058</u>	<u>610,560</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(18,478)	(3,508)
Purchase of intangible assets	(636)	-
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(19,114)</u>	<u>(3,508)</u>
NET CHANGE IN CASH	3,813,944	607,052
CASH, BEGINNING OF YEAR	<u>1,179,577</u>	<u>572,525</u>
CASH, END OF YEAR	<u><u>\$ 4,993,521</u></u>	<u><u>\$ 1,179,577</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.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

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, 2014 and 2013, 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, 2014 or 2013.

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, 2014 AND 2013**

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 2014 or 2013.

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 2014 and 2013, approximately \$35,000 and \$14,000, 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, 2014 AND 2013**

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. Tax years ended September 30, 2011, 2012, and 2013 remain open for review by taxing authorities.

Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through January 26, 2015, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications of 2013 financial information have been made to conform to the 2014 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 \$72,000 and \$233,000 subject to this credit risk at September 30, 2014 and 2013, 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, 2014, the Commission's deposits with QPDs totaled \$4.397 million.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 3 - PROPERTY AND EQUIPMENT

At September 30, 2014 and 2013, property and equipment consisted of the following:

	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	\$ 133,023	\$ 102,528	\$ 30,495	

	2013			Estimated Life
	Cost	Accumulated Depreciation	Net Book Value	
Equipment	\$ 90,667	\$ 72,901	\$ 17,766	3-5 yrs.
Furniture and fixtures	30,773	23,937	6,836	5-10 yrs.
Total	\$ 121,440	\$ 96,838	\$ 24,602	

NOTE 4 – INTANGIBLE ASSETS

Intangible assets at September 30, 2014 and 2013 consisted of the following:

	2014	2013
Software	\$ 46,304	\$ 48,747
Less: Accumulated amortization	<u>45,774</u>	<u>48,703</u>
Net unamortized value	<u>\$ 530</u>	<u>\$ 44</u>

The intangible assets above are being amortized over useful lives of three to five 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, 2014 and 2013, the line had a principal amount 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, 2014 and 2013, 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, 2014 AND 2013**

NOTE 6 – ACCRUED EXPENSES

Accrued expenses at September 30, 2014 and 2013 consisted of the following:

	2014	2013
Accrued compensation	\$ 128,919	\$ 133,784
Other accrued expenses	<u>6,068</u>	<u>2,726</u>
Total	<u>\$ 134,987</u>	<u>\$ 136,510</u>

NOTE 7 – DEFERRED REVENUE AND REFUNDABLE ADVANCE

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 approximately \$12,000 sponsorships received in advance of the annual meeting. Deferred revenue at September 30, 2013 totaling \$2,965,966 consists of \$2,946,181 grant amounts invoiced in excess of revenue earned at year end and \$19,785 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 and \$398,826 at September 30, 2014 and 2013, 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 \$7,552, increased to \$7,671 in August 2014. 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, 2014 AND 2013**

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, 2013, for the remaining years and in the aggregate are:

Year ended September, 2015	\$	92,055
2016		<u>76,713</u>
Total	\$	<u>168,768</u>

The Commission subleased a portion of its office space to Florida MEP; this arrangement extended through September 2013. Florida MEP paid \$1,500 monthly for the period from August 2011 through September 2013.

Rent expense for fiscal years ended September 30, 2014 and 2013 totaled approximately \$91,000 and \$85,000, respectively, and rental income under the sublease was \$18,000 for 2013.

NOTE 10 – EXPENSES UNDER GRANTS

Expenses incurred in carrying out the purposes of various grants totaled \$3,619,753 and \$1,587,653 for fiscal years ended September 30, 2014 and 2013, respectively. These expenses include payments to entities that have received pass-through grant awards from the Commission (sub-recipient payments). In fiscal years ended September 30, 2014 and 2013, the sub-recipient payments were \$3,441,621 and \$1,312,115, 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 2014 and 2013, plan contributions charged to operations were \$142,662 and \$141,952, respectively.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

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 twenty-five percent (25%), 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 2014 and 2013, respectively. In addition, the Commission received \$3,564,334, or sixty-four percent (64%) and \$1,936,920, or forty-nine percent (49%) of its support and revenues under a grant agreement with the Florida Department of Economic Opportunity for fiscal years 2014 and 2013, respectively.

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

	<u>2014</u>	<u>2013</u>
Florida Dept of Economic Opportunity	58%	92%
Brevard County, Florida	18%	4%

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 \$3,564,334 and \$1,936,920 has been recognized in the fiscal years ended September 30, 2014 and 2013, 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.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

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 and other costs incurred suing the Commission. 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. Oral arguments have not yet been scheduled in the appeals. 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 \$4.4 million to sub-recipients over various future periods extending through fiscal 2017.

**ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2014**

State Agency/Pass-through Entity/ State Project	CSFA No.	Contract/ Grant No.	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
State of Florida				
Department of Economic Opportunity				
Direct:				
Space Florida	40.004	SB13011	\$ 3,564,334	\$ 3,441,621
Indirect:				
Passed through Enterprise Florida, Inc.				
Military Base Protection	40.014	DRG 14-11	55,419	-
Total Expenditures of State Financial Assistance			<u>\$ 3,619,753</u>	<u>\$ 3,441,621</u>

Note to Schedule of State Financial Assistance

The Schedule is presented on the accrual basis of accounting and includes 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.

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 Economic Development Commission of Florida's Space Coast, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, 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 our report thereon dated January 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our 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, we 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not

identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as deficiency 2014-1, that we consider to be a significant deficiency.

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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Economic Development Commission of Florida's Space Coast, Inc.'s Response to Findings

Economic Development Commission of Florida's Space Coast, Inc.'s response to the finding identified in our audit is described in the accompanying corrective action plan. Economic Development Commission of Florida's Space Coast, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.


James, Dinho & O'Keefe LLP
Certified Public Accountants
January 26, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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

We 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, 2014. 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

Our 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 our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our 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 our 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, 2014.

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 our audit of compliance, we 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, we 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our 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.

Janes, Dinho & O'Keefe LLP
Janes, Dinho & O'Keefe LLP
Certified Public Accountants
January 26, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2014**

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. One internal control deficiency 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*. The condition is a significant deficiency.
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 projects 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.

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2014**

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

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

Criteria: Changes should not be made to activity posted in previous fiscal periods once those periods are closed; this practice causes beginning equity and certain other asset or liability accounts to be misstated.

Condition: Beginning equity was understated by approximately \$10,000 in financial records presented for audit as a result of entries being made to adjust prior fiscal year activity after fiscal 2013 was closed.

Effect: At various times throughout fiscal 2014, various accounts including accounts receivable, prepaid expenses, and current liabilities were misstated in the interim financial records.

Recommendation: At least quarterly, as part of the close process, and prior to presenting financial information for audit at year end, a reconciliation to beginning equity should be made to assure that no entries have been made with prior period dates.

FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS AUDIT

REPORTABLE CONDITIONS

None

**ECONOMIC DEVELOPMENT COMMISSION
OF FLORIDA'S SPACE COAST, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2014**

FINDINGS – FINANCIAL STATEMENT AUDIT

FINDING 2013-1. Improper Grant Revenue Recognition

Current status: Corrective action has been taken to assure proper grant revenue recognition for fiscal year ended September 30, 2014. This issue has been cleared.

FINDING 2013-2. Unsupported Accrual Entry

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

FINDING 2013-3. Error in Invoicing

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

FINDING 2013-4. Overaccrual of Benefits Cost

Current status: Corrective action has been taken to assure that the calculation was made correctly at September 30, 2014. This issue has been cleared.

FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS AUDIT

None

THIS PAGE INTENTIONALLY LEFT BLANK



CORRECTIVE ACTION PLAN

January 26, 2015

The Audit Committee for the Economic Development Commission of Florida's Space Coast, Inc. respectfully submits the following corrective action plan for the year ended September 30, 2014.

Janes, Dinho & O'Keefe LLP
4875 N. Wickham Road, Suite 107
Melbourne, FL 32940

Fiscal year ended September 30, 2014:

The findings from the September 30, 2014 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT SIGNIFICANT DEFICIENCY

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

Criteria: Changes should not be made to activity posted in previous fiscal periods once those periods are closed; this practice causes beginning equity and certain other asset or liability accounts to be misstated.

Condition: Beginning equity was understated by approximately \$10,000 in financial records presented for audit as a result of entries being made to adjust prior fiscal year activity after fiscal 2013 was closed.

Effect: At various times throughout fiscal 2014, various accounts including accounts receivable, prepaid expenses, and current liabilities were misstated in the interim financial records.

Recommendation: At least quarterly, as part of the close process, and prior to presenting financial information for audit at year end, a reconciliation to beginning equity should be made to assure that no entries have been made with prior period dates.

Corrective Action To Be Taken: We concur with the recommendation. As part of each quarterly close process and prior to presenting financial information for audit at year end, a reconciliation to beginning equity will be made by the Accountant.

Respectfully Submitted,

Lynda Weatherman
President & CEO

597 Haverty Court, Suite 40
Rockledge, Florida 32955
Phone: (321) 638.2000
Toll-Free: (800) 535.0203
Fax: (321) 633.4200

www.SpaceCoastEDC.org