

Meeting Date
March 6, 2018



AGENDA	
Section	Consent
Item No.	II.C.2

AGENDA REPORT
 BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	Acknowledge receipt of Audited FY 2016-2017 Financial Statements for the Economic Development Commission of Florida's Space Coast, Incorporated, (hereafter referred to as the "EDC")
DEPT/OFFICE:	Budget Office

Requested Action:

It is requested that the Board of County Commissioners acknowledge the receipt of the audited FY 2016-2017 Financial Statement for the EDC.

Summary Explanation & Background:

In accordance with Florida Statute 125.045 (4) County economic development powers.— (4) A contract between the governing body of a county or other entity engaged in economic development activities on behalf of the county and an economic development agency must require the agency or entity receiving county funds to submit a report to the governing body of the county detailing how county funds were spent and detailing the results of the economic development agency's or entity's efforts on behalf of the county.

In accordance with Section 8c of the grant agreement, the EDC has provided the Brevard County Board of County Commissioners a copy of their annual audited financial statements reflecting the financial status of the commission for the period October 1, 2016 – September 30, 2017.

Fiscal Impact: Brevard County provides a grant to the EDC in the amount of \$1,400,050, which is authorized by 125.045, Florida Statutes.

Clerk to the Board instruction: Maintain necessary documents for records retention.

Exhibits Economic Development Commission of Florida's Space Coast, Inc. - FY 16 -17 Audited Financial Statements

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

County Manager	Assistant County Manager	Department Director / Extension
Frank Abbate 	Assistant County Manager	 Jill Hayes, Director 633-2153 ext. 52857



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March 7, 2018

M E M O R A N D U M

TO: Jill Hayes, Budget Office Director

RE: Item II.C.2.; Acknowledge Receipt of Audited FY 2016-2017 Financial Statements for the Economic Development Commission of Florida's Space Coast, Incorporated (Hereafter Referred to as the "EDC")

The Board of County Commissioners, in regular session on March 6, 2018, acknowledged receipt of audited FY 2016-2017 Financial Statements for the EDC.

Your continued cooperation is always appreciated.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

Tammy Rowe

Tammy Rowe, Deputy Clerk

cc: Finance

DATE: February 8, 2018

TO: Frank Abbate, County Manager

FROM: Brenda Plocharczyk

CC: **Scott Knox, County Attorney**

RE: FY16/17 Annual Financial Report-Economic Development Commission of Florida's Space Coast

As required under section 8(c) of the Brevard County Grant Agreement, I am pleased to present a copy of the EDC's FY16/17 Annual Financial Report for the period October 1, 2016 through September 30, 2017.

This Annual Financial Report highlights the expense categories and related amounts in which the grant funds were expended in support of our program of work to retain, expand, and attract businesses within Brevard County. This report is in addition to the enclosed annual financial audit, approved by our Board of Directors on February 7, 2018.

Thank you for your continued support of the efforts of the EDC.

As always, please contact me with any questions at 321-638-2000.

Thank you.

EDC of Florida's Space Coast
 Annual Financial Report
 FY16/17
 Schedule of Brevard County Grant Funds Expended

	Grant Funds
Ordinary Income/Expense	
Income	
Brevard County Grant	\$ 1,400,050
Total Income	\$ 1,400,050
 Grant Expense	
Marketing, Communications & Programs	\$ 86,998
Facilities & Occupancy	\$ 110,180
General Administration	\$ 51,861
Personnel	\$ 1,132,411
Professional Services	\$ 18,600
Total Expense	\$ 1,400,050
 Net Ordinary Income	\$ 0
 Net Income	\$ 0

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
TABLE OF CONTENTS
SEPTEMBER 30, 2017 AND 2016

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 – 6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 14
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	15 – 16

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
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. (the Commission), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

- 1 -

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of Economic Development Commission of Florida's Space Coast, Inc. for the year ended September 30, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on February 10, 2017.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018, on our consideration of the Commission'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.

Daytona Beach, Florida
January 26, 2018

James Moore & Co., P.L.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 1,160,107	\$ 1,071,934
Accounts receivable, net of allowance	98,722	93,125
Grants receivable	61,341	48,101
Prepaid expenses	3,277	31,625
Cash, restricted for grant subrecipients	1,186,425	1,521,425
Total current assets	2,509,872	2,766,210
Property and equipment, net of accumulated depreciation	45,964	64,784
Other assets		
Deposits	10,128	10,128
Intangible assets, net of accumulated amortization	-	233
Total other assets	10,128	10,361
Total Assets	\$ 2,565,964	\$ 2,841,355
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities		
Accounts payable	\$ 13,302	\$ 43,988
Accrued expenses	133,622	122,798
Deferred revenue	1,200,755	1,537,075
Total current liabilities	1,347,679	1,703,861
Net assets		
Unrestricted		
Undesignated	765,979	668,268
Designated	406,342	404,442
Invested in property and equipment	45,964	64,784
Total net assets	1,218,285	1,137,494
Total Liabilities and Net Assets	\$ 2,565,964	\$ 2,841,355

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

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Support and revenues		
Brevard County	\$ 1,400,050	\$ 1,400,050
Investor payments	534,414	527,449
Investor meetings and functions	48,815	50,685
State grants	724,067	822,493
Federal grants	34,568	46,950
Program sponsorships	41,845	22,650
Interest income	2,842	2,745
Other income	3,082	21,088
Total support and revenues	2,789,683	2,894,110
Expenses		
Program services		
Economic development	2,219,420	2,330,142
Supporting services		
Management and general	489,472	468,734
Total expenses	2,708,892	2,798,876
Increase (decrease) in net assets	80,791	95,234
Net assets, beginning of year	1,137,494	1,042,260
Net assets, end of year	\$ 1,218,285	\$ 1,137,494

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

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Expenses	Program Services	Supporting Services	Total
Advertising and promotion	\$ 151,379	-	\$ 151,379
Association dues	10,564	-	10,564
Data and research services	19,729	-	19,729
Education and training	10,398	3,214	13,612
Expenses under grants	713,687	-	713,687
Facilities/occupancy	84,071	22,348	106,419
Health, disability, liability and workers' compensation insurance	130,109	40,216	170,325
Meetings and functions	48,336	-	48,336
Office and administrative	-	60,783	60,783
Payroll taxes	54,656	16,894	71,550
Postage	1,077	333	1,410
Professional fees	-	24,743	24,743
Retirement contributions	111,875	34,580	146,455
Salaries	829,279	256,322	1,085,601
Telephone	8,514	2,632	11,146
Travel and auto	7,146	-	7,146
Website maintenance and enhancement	22,404	6,925	29,329
Bad debt expense	-	17,625	17,625
Total expenses before depreciation and amortization	<u>2,203,224</u>	<u>486,615</u>	<u>2,689,839</u>
Depreciation	15,997	2,823	18,820
Amortization	199	34	233
Total expenses	<u><u>\$ 2,219,420</u></u>	<u><u>\$ 489,472</u></u>	<u><u>\$ 2,708,892</u></u>

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

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Expenses	Program Services	Supporting Services	Total
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
Total expenses before depreciation and amortization	<u>2,316,426</u>	<u>466,313</u>	<u>2,782,739</u>
Depreciation	13,196	2,329	15,525
Amortization	520	92	612
Total expenses	<u>\$ 2,330,142</u>	<u>\$ 468,734</u>	<u>\$ 2,798,876</u>

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

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 80,791	\$ 95,234
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	18,820	15,525
Amortization	233	612
(Gain) loss on disposal of assets	-	(2,500)
(Increase) decrease in assets:		
Accounts receivable	(5,597)	(29,653)
Grant receivable	(13,240)	26,713
Prepaid expense	28,348	(8,535)
Increase (decrease) in liabilities:		
Accounts payable	(30,686)	15,012
Accrued expenses	10,824	(2,579)
Deferred revenue	(336,320)	(715,188)
Total adjustments	(327,618)	(700,593)
Net cash provided by (used in) operating activities	(246,827)	(605,359)
Cash flows from investing activities		
Purchase of fixed assets	-	(58,999)
Payment of deposits	-	(10,128)
Proceeds from sale of furniture and equipment	-	2,500
Net cash provided by (used in) investing activities	-	(66,627)
Net change in cash and cash equivalents	(246,827)	(671,986)
Cash and cash equivalents, beginning of year	2,593,359	3,265,345
Cash and cash equivalents, end of year	\$ 2,346,532	\$ 2,593,359
Cash and cash equivalents	\$ 1,160,107	\$ 1,071,934
Cash, restricted for grant subrecipients	1,186,425	1,521,425
Total cash and cash equivalents, including restricted cash	\$ 2,346,532	\$ 2,593,359

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

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

The following is a summary of the more significant accounting policies and practices of Economic Development Commission of Florida's Space Coast, Inc. (the "Commission"), which affect significant elements of the accompanying financial statements:

(a) **Commission and purpose**—The Commission was incorporated May 4, 1989, and operates as a nonprofit organization. The Commission was organized to promote a common interest in economic and industrial development in Brevard County. The Commission is committed to enhancing the quality of life in Brevard County and advancing the welfare and economic interests of the region and its citizens through proactive economic development. It is the lead agency in Brevard County for the recruitment and retention of value-added manufacturing and technology-focused companies and is supported primarily through contracts, grants and investor payments.

(b) **Basis of presentation**—The 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 years ended September 30, 2017 and 2016, all net assets were classified as unrestricted.

(c) **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 as of September 30, 2017 and 2016.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. It is the Commission's policy to use the direct write-off method for unconditional promises to give deemed to be uncollectible. This method yields substantially the same results as the allowance method. Conditional promises to give are not included as support until the conditions are substantially met.

The Commission receives substantially all of its grant and contract revenue from Federal, State and local agencies. The Commission recognizes contract revenue (up to the contract ceiling) from its contracts over a period which represents the service period for certain contracts, or to the extent of expenses, dependent upon the contract. The Commission also receives support from private and public organizations. Support from public sector members is recognized as revenue when the funds are appropriated. Private sector support is recognized as revenue when received by the Commission due to the discretionary nature. The Commission can receive charitable contributions and promises to give. Contributions are recorded when assets are received or when an unconditional promise to give is received.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

(d) **Property and equipment**—The Commission capitalizes all expenditures for equipment with a value in excess of \$5,000 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.

(e) **Contributed services and other support**—Contributed 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 the years ended September 30, 2017 and 2016, approximately \$35,000 and \$38,000, respectively, have been recognized as donated revenue, primarily for investor payments, and expenses, primarily in program services.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, the Commission has adopted a policy of not implying a time restriction on contributions of such assets; consequently, all contributions of property and equipment, and of the assets contributed to acquire property and equipment, are recorded as unrestricted support or contributions.

(f) **Income taxes**—The Commission is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. The Commission files income tax returns in the U.S. Federal jurisdiction. The Commission's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The Commission has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

(g) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(h) **Cash and cash equivalents**—For the purpose of reporting cash flows, cash and cash equivalents includes cash on hand, amounts in demand deposits and short-term investments with an original maturity date of ninety days or less.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

(i) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(j) **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 a \$15,000 allowance for uncollectible accounts and grants at September 30, 2017 and 2016. Provision for uncollectible accounts is made based on several factors, including aging analysis and past experience.

(k) **Advertising**—The Commission expenses advertising costs in the period in which they are incurred.

(l) **Accrued leave**—The Commission compensates its employees for unused vacation to a maximum of 20 days and sick leave up to six weeks paid at a rate of 50% upon termination of employment. The amount of change in accrued vacation and sick leave for all employees from one year to the next is recorded in personnel expense during the current year.

(m) **Deferred revenue**—The Commission records certain contract receipts as deferred revenue until it is expended for the purpose of the contract, at which time it is recognized as revenue.

(n) **Recently issued accounting pronouncements**—The Financial Accounting Standards Board (FASB) issued new or modifications to, or interpretations of, existing accounting guidance during the year ended September 30, 2016. The Commission has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Commission's reported financial position or operations in the near term.

In May 2014, the FASB issued Accounting Standards Update 2014-09: *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. The new standard (as amended) is effective for fiscal years beginning after December 15, 2018, and may be adopted early. The Commission is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

In February 2016, the FASB issued Accounting Standards Update 2016-02: *Leases (Topic 842)*, to increase transparency and comparability among Commissions by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2019, and may be adopted early. The Commission is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2016, the FASB issued Accounting Standards Update 2016-14: *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities, including net asset classification requirements and the information presented about an entity's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, and may be adopted early. The Commission is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(o) **Subsequent events**—The Commission has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 26, 2018, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(2) **Matching Requirements:**

The Commission receives a portion of its support through grants and contracts. Certain grants and contracts require the Commission to provide specified amounts of matching revenue. For each grant or contract, where applicable, the Commission has met all matching requirements. Also, for each grant contract that ended on or before September 30, 2017, no obligation remains outstanding to the funding source.

(3) **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 the years ended September 30, 2017 and 2016, plan contributions charged to operations were \$146,455 and \$137,720, respectively.

(4) **Deferred Revenue:**

Deferred revenue at September 30, 2017 totaling \$1,200,755 consists of \$1,186,425 grant amounts invoiced in excess of revenue earned at year end and \$14,330 sponsorships received in advance of the annual meeting to be held in the subsequent fiscal year. Deferred revenue at September 30, 2016 totaling \$1,537,075 consisted 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.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

(5) **Property and Equipment:**

As of September 30, 2017 and 2016, property and equipment consisted of the following:

	2017	2016
Equipment	\$ 66,564	\$ 66,564
Furniture and fixtures	21,564	21,564
Leasehold improvements	34,987	34,987
	123,115	123,115
Less: Accumulated depreciation	77,151	58,331
Total	\$ 45,964	\$ 64,784

(6) **Intangible Assets:**

As of September 30, 2017 and 2016, intangible assets consisted of the following:

	2017	2016
Software	\$ 26,648	\$ 26,648
Less: Accumulated amortization	26,648	26,415
Total	\$ -	\$ 233

The intangible assets above were amortized over useful lives of two to three years and were fully amortized during 2017.

(7) **Line of Credit:**

The Commission maintains a business line of credit with a financial institution. At both September 30, 2017 and 2016, the line had a principal amount of \$250,000 available for borrowing. The line of credit bears interest at 5.00%. 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, 2017 and 2016, there was no principal amount outstanding, leaving \$250,000 of unused credit available to the Commission.

(8) **Related Parties:**

The Board of Directors includes representation of both the private and public service industries as required by Florida Statutes. The Commission had transactions with entities related to certain board members for the purpose of marketing, operational, and professional services. During the year ended September 30, 2017 and 2016, total payments to these entities were \$135,146 and \$186,532, respectively. The transactions were approved and authorized in accordance with the Commission's purchasing policies and procedures.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

(9) **Designation of Net Assets:**

Unrestricted funds in the amount of \$406,342 and \$404,442 at September 30, 2017 and 2016, 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.

(10) **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 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.

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2017, for the remaining years and in the aggregate are:

Year Ending September 30,	Amount
2018	\$ 110,122
2019	113,525
2020	117,240
2021	121,204
2022	10,128
	\$ 472,219

Rent expense for years ended September 30, 2017 and 2016 was \$104,725 and \$94,673, respectively.

(11) **Expenses under Grants:**

Expenses incurred in carrying out the purposes of various grants totaled \$713,687 and \$831,726 for the years ended September 30, 2017 and 2016, respectively. These expenses include payments to entities that have received pass-through grant awards from the Commission (subrecipient payments). For the years ended September 30, 2017 and 2016, the subrecipient payments were \$189,000 and \$712,838, respectively.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

(12) Concentrations of Credit Risk:

The Commission maintains cash in banks in amounts that are from time to time in excess of federally insured limits of \$250,000 per bank. The Commission had approximately \$280,000 and \$82,000 subject to this credit risk at September 30, 2017 and 2016, respectively.

In addition, the Commission has established an account with a financial institution that is 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, 2017, the Commission's deposits with QPDs totaled \$1,309,000, of which \$1,186,000 is held for future payments related to a state grant, including approximately \$835,000 committed to be paid to subrecipients through 2023.

(13) 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, as well as 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 50% and 48%, of its support and revenues from the Board of County Commissioners of Brevard County, Florida, for the years ended September 30, 2017 and 2016, respectively. In addition, the Commission recognized revenue totaling 26% and 28%, respectively, of its support and revenues under grant agreements with the Florida Department of Economic Opportunity for the years ended September 30, 2017 and 2016.

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

	2017	2016
Florida Department of Economic Opportunity	35%	26%

Effective July 1, 2012, the Commission was awarded a \$10,000,000 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. Grant revenue of \$335,000 and \$722,838 has been recognized in the years ended September 30, 2017 and 2016, respectively. The full amount of the grant has been awarded to the Commission by the State, and amounts remaining in deferred revenue related to this grant contract will be recognized as revenue in future fiscal years as earning criteria are met.

(14) Commitments and Contingencies:

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.

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Economic Development Commission of Florida's Space Coast, Inc., which comprise the statement of financial position as of September 30, 2017, 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, 2018.

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 Economic Development Commission of Florida's Space Coast, Inc.'s internal control.

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

Our consideration of internal control 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 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.

- 15 -

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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*.

Purpose of This Report

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

James Moore & Co., P.L.

Daytona Beach, Florida
January 26, 2018