

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

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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

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

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, 2018, 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. 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 auditors' 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.

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

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, 2018, 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 2017 financial statements of Economic Development Commission of Florida's Space Coast, Inc. were audited by other auditors whose report dated January 26, 2018, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Orlando, Florida
March 22, 2019

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,289,841	\$ 1,160,107
Accounts Receivable, Net of Allowance	125,125	98,722
Grants Receivable	67,436	61,341
Prepaid Expenses	9,616	3,277
Cash, Restricted for Grant Subrecipients	1,166,425	1,186,425
Total Assets	2,658,443	2,509,872
PROPERTY AND EQUIPMENT, Net of		
Accumulated Depreciation	41,492	45,964
OTHER ASSETS		
Deposits	10,128	10,128
Total Assets	\$ 2,710,063	\$ 2,565,964
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 22,964	\$ 13,302
Accrued Expenses	133,320	133,622
Deferred Revenue	1,179,195	1,200,755
Total Current Liabilities	1,335,479	1,347,679
NET ASSETS		
Unrestricted:		
Undesignated	926,442	765,979
Designated	406,650	406,342
Invested in Property and Equipment	41,492	45,964
Total Net Assets	1,374,584	1,218,285
Total Liabilities and Net Assets	\$ 2,710,063	\$ 2,565,964

See accompanying Notes to Financial Statements.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
UNRESTRICTED SUPPORT AND REVENUE		
Brevard County	\$ 1,400,050	\$ 1,400,050
Investor Payments	518,098	534,414
Investor Meetings and Functions	55,435	48,815
State Grants	502,564	724,067
Federal Grants	12,798	34,568
Program Sponsorships	19,845	41,845
Publications & Studies	42,270	-
Interest Income	4,212	2,842
Other Income	1,229	3,082
Total Unrestricted Support and Revenues	2,556,501	2,789,683
EXPENSES		
Program Services Expense:		
Economic Development	1,915,816	2,219,420
Support Services Expense:		
Management and General	484,386	489,472
Total Expenses	2,400,202	2,708,892
CHANGE IN NET ASSETS	156,299	80,791
Net Assets - Beginning of Year	1,218,285	1,137,494
NET ASSETS - END OF YEAR	\$ 1,374,584	\$ 1,218,285

See accompanying Notes to Financial Statements.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Supporting Services	Total
Advertising and Promotion	\$ 118,620	\$ -	\$ 118,620
Association Dues	7,789	-	7,789
Data and Research Services	14,827	-	14,827
Education and Training	10,603	3,048	13,651
Expenses Under Grants	416,182	-	416,182
Facilities/Occupancy	92,968	34,385	127,353
Health, Disability, Liability, and Workers' Compensation Insurance	127,873	36,763	164,636
Meetings and Functions	54,669	-	54,669
Office and Administrative	-	36,199	36,199
Payroll Taxes	55,175	15,863	71,038
Postage	1,430	529	1,959
Professional Fees	5,133	47,871	53,004
Retirement Contributions	111,126	31,949	143,075
Salaries	859,321	247,053	1,106,374
Telephone	7,287	2,695	9,982
Travel and Auto	4,575	-	4,575
Website Maintenance and Enhancement	25,242	2,805	28,047
Bad Debt Expense	-	23,750	23,750
Total Expenses Before Depreciation and Amortization	1,912,820	482,910	2,395,730
Depreciation	2,996	1,476	4,472
Total Expenses	\$ 1,915,816	\$ 484,386	\$ 2,400,202

See accompanying Notes to Financial Statements.

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

	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	2,203,224	486,615	2,689,839
Depreciation	15,997	2,823	18,820
Amortization	199	34	233
Total Expenses	\$ 2,219,420	\$ 489,472	\$ 2,708,892

See accompanying Notes to Financial Statements.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 156,299	\$ 80,791
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,472	18,820
Amortization	-	233
(Increase) Decrease in Assets:		
Accounts Receivable	(26,403)	(5,597)
Grant Receivable	(6,095)	(13,240)
Prepaid Expense	(6,339)	28,348
Increase (Decrease) in Liabilities:		
Accounts Payable	9,662	(30,686)
Accrued Expenses	(302)	10,824
Deferred Revenue	(21,560)	(336,320)
Total Adjustments	(46,565)	(327,618)
Net Cash Provided (Used) by Operating Activities	109,734	(246,827)
NET CHANGE IN CASH AND CASH EQUIVALENTS	109,734	(246,827)
Cash and Cash Equivalents - Beginning of Year	2,346,532	2,593,359
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,456,266	\$ 2,346,532
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and Cash Equivalents	\$ 1,289,841	\$ 1,160,107
Cash, Restricted for Grant Subrecipients	1,166,425	1,186,425
Total Cash and Cash Equivalents, Including Restricted Cash	\$ 2,456,266	\$ 2,346,532

See accompanying Notes to Financial Statements.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 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:

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.

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, 2018 and 2017, all net assets were classified as unrestricted.

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, 2018 and 2017.

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 contributions from investors as well as 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, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018 and 2017, approximately \$29,000 and \$35,000, respectively, have been recognized as donated revenue, primarily for investor payments, and expenses, primarily in program services.

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.

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.

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 90 days or less.

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.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 monthly 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, 2018 and 2017. Provision for uncollectible accounts is made based on several factors, including aging analysis and past experience.

Advertising

The Commission expenses advertising costs in the period in which they are incurred.

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. Accrued leave is reported as accrued expenses on the statement of financial position.

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.

Subsequent Events

The Commission has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 22, 2019, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

Reclassifications

Certain reclassifications have been made to the prior year financial statements, in the statement of functional expenses, in order for them to be in conformity with the current year presentation.

NOTE 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, 2018, no obligation remains outstanding to the funding source.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 3 RETIREMENT PLAN

The Commission has a defined contribution retirement plan that Employees are eligible for participation in the Plan upon completion of one year of full-time, contemporary service; employer contributions to the plan were equal to 15% of each eligible employee's salary. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Code (IRC) limitations. The Commission contributes 15% of eligible employees' federally taxable wages, with certain exclusions. During the years ended September 30, 2018 and 2017, plan contributions charged to operations were \$143,075 and \$146,455, respectively.

NOTE 4 DEFERRED REVENUE

Deferred revenue at September 30, 2018, totaling \$1,179,195 consisted of \$1,166,425 grant amounts invoiced in excess of revenue earned at year-end and \$12,770 sponsorships received in advance of the annual meeting to be held in the subsequent fiscal year.

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.

NOTE 5 PROPERTY AND EQUIPMENT

As of September 30 property and equipment consisted of the following:

	2018	2017
Equipment	\$ 56,845	\$ 66,564
Furniture and Fixtures	20,057	21,564
Leasehold Improvements	34,987	34,987
Total	111,889	123,115
Less Accumulated Depreciation	70,397	77,151
Total Property and Equipment	\$ 41,492	\$ 45,964

NOTE 6 INTANGIBLE ASSETS

As of September 30 intangible assets consisted of the following:

	2018	2017
Software	\$ 25,849	\$ 26,648
Less: Accumulated Amortization	25,849	26,648
Total	\$ -	\$ -

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

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 7 LINE OF CREDIT

The Commission maintains a business line of credit with a financial institution. At both September 30, 2018 and 2017, 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, 2018 and 2017, there was no principal amount outstanding, leaving \$250,000 of unused credit available to the Commission. Subsequent to year-end the line of credit was reduced to \$200,000 bearing interest at 6.00%.

NOTE 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 membership, marketing, operational, and professional services. During the years ended September 30, 2018 and 2017, total payments to these entities were \$145,068 and \$135,146, respectively and \$3,000 and \$-0- were in accounts receivable at year-end, respectively. The transactions were approved and authorized in accordance with the Commission's purchasing policies and procedures.

NOTE 9 DESIGNATION OF NET ASSETS

Unrestricted funds in the amount of \$406,650 and \$406,342 at September 30, 2018 and 2017, 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 10 OPERATING LEASES

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 five-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.

In October 2017, the Commission executed a lease for office furniture. The lease has a term of 60 months, from October 2016 through September 2021 and requires monthly payments of \$326.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 10 OPERATING LEASES (CONTINUED)

Minimum future lease payments under noncancelable operating leases having remaining terms in excess of one year as of September 30, 2018, for the remaining years and in the aggregate are:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 117,436
2020	121,151
2021	125,115
2022	10,128
Total	<u>\$ 373,830</u>

Rent expense for years ended September 30, 2018 and 2017, was \$126,588 and \$104,725, respectively.

NOTE 11 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 \$305,000 and \$280,000 subject to this credit risk at September 30, 2018 and 2017, 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, 2018, the Commission's deposits with QPDs totaled \$1,293,769, of which \$1,166,425 is held for future payments related to a state grant, including approximately \$835,000 committed to be paid to subrecipients through 2023.

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 55% and 50%, of its support and revenues from the Board of County Commissioners of Brevard County, Florida, for the years ended September 30, 2018 and 2017, respectively. In addition, the Commission recognized revenue totaling 20% and 26%, respectively, of its support and revenues under grant agreements with the Florida Department of Economic Opportunity for the years ended September 30, 2018 and 2017.

ECONOMIC DEVELOPMENT COMMISSION OF FLORIDA'S SPACE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 11 CONCENTRATIONS OF CREDIT RISK (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
Florida Department of Economic Opportunity	31 %	35 %

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 \$20,000 and \$335,000 has been recognized in the years ended September 30, 2018 and 2017, 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.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Certain contracts and grants received by the Commission are subject to review by granter agencies. As a result of these reviews, the Commission may be required to repay a portion of grant funds received. To date, reviews performed have not resulted in any request for repayment.