



**SPACE FLORIDA  
(A COMPONENT UNIT OF  
THE STATE OF FLORIDA)  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

# SPACE FLORIDA

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June 30, 2012 and 2011

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Carr, Riggs & Ingram, LLC  
215 Baytree Drive  
Melbourne, Florida 32940

(321) 255-0088  
(321) 259-8648 (fax)  
www.cricpa.com

## Independent Auditors' Report

The Board of Directors  
Space Florida  
Cape Canaveral, Florida

We have audited the accompanying basic financial statements of Space Florida, a component unit of the State of Florida, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Space Florida's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Space Florida as of and for the year ended June 30, 2011, were audited by other auditors whose report dated September 7, 2012, expressed an unqualified opinion on those statements.

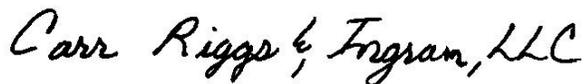
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Space Florida as of June 30, 2012 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of Space Florida'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principals generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of travel, entertainment and incidental expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550 and is also not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance 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. The schedule of travel, entertainment and incidental expenses has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



**Carr, Riggs & Ingram, LLC**  
Melbourne, Florida  
September 7, 2012

## Management's Discussion and Analysis

As management of Space Florida, we offer readers of Space Florida's financial statements this narrative overview and analysis of the financial activities of Space Florida for the years ended June 30, 2012, 2011, and 2010.

Effective September 1, 2006, Pursuant to Chapter 2006-60, Laws of Florida, a law enacted by the Florida Legislature during its 2006 Regular Session, Space Florida was created as an independent special district and subdivision of the State. Space Florida serves as the State's principal government space entity, responsible for space-related infrastructure development, industry recruitment, and education/research in partnership with federal agencies and private industry; for providing leadership for development of space transportation infrastructure; and for implementation of space commercialization and development programs.

Space Florida utilizes funds to operate programs that retain, attract, and expand new business to Florida, and to promote Florida as the world's premier space business destination. Space Florida is responsible for accelerating the growth of space-related economic development and supports Florida's economic goals through targeted space business retention, expansion, and diversification efforts in addition to promoting innovative educational, research and development and workforce development programs and space related infrastructure development projects.

As a result of the dynamic nature of Florida's space industry and the retirement of NASA's Space Shuttle program, Space Florida has developed a strategic plan ("Vision 2020") that targets a number of diversified commercial market segments for integration of space technology that has not been previously pursued with a focused state effort. These markets receive direct benefit through utilization of the current space program, or have shown great interest in the potential for benefitting from opportunities in next-generation space initiatives. Space Florida has already gained significant interest from major players in these markets, and will continue to increase its efforts to attract and secure these businesses. It will do this, in part, by focusing staff efforts on business development opportunities in these emerging sectors, with the goal of tripling the size of the space industry and its economic impact in Florida by 2020.

### Financial Highlights

- The assets of Space Florida exceeded its liabilities for the years ended June 30, 2012 and 2011 by \$82,501,342 and \$82,886,194 (net assets), respectively. Of this amount, \$12,269,185 and \$12,048,482 (unrestricted net assets), respectively, may be used to meet Space Florida's ongoing obligations to citizens and creditors.
- Space Florida's total net assets decreased by \$384,852 for the year ended June 30, 2012 and increased by \$11,944,758 for the year ended June 30, 2011. For the year ended June 30, 2012 the decrease in net assets consisted of a net loss from operations and a capital asset contribution to another governmental entity offset by other non-operating grant revenue. For the year ended June 30, 2011 the increase was primarily due to state appropriations received for targeted business development support services and business recruitment, financing, workforce retention, and capital improvement projects.
- For the years ended June 30, 2012 and 2011, unrestricted net assets were 55 percent and 87 percent, respectively, of total operating expenditures.
- Space Florida's state appropriated revenue for operations for fiscal year 2012 and 2011 was \$10,039,943 and \$20,039,943, respectively.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Space Florida's basic financial statements. Space Florida's basic financial statements are comprised of two components: financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements report information using the full accrual accounting methods as utilized by similar business activities in the public sector. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The statement of net assets presents information on all of Space Florida's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as an indicator of the financial status of Space Florida.

The statement of revenues, expenses, and changes in fund net assets presents information showing how Space Florida's net assets changed for the years ended June 30, 2012 and 2011. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The basic financial statements can be found on pages 12-16 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and thus are an integral part of these financial statements. The notes to the financial statements can be found on pages 17-29 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 33 and 41 of this report.

## **Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial status. Assets exceeded liabilities as of June 30, 2012, 2011, 2010 by \$82,501,342, \$82,886,194, and \$70,941,436, respectively.

The following table reflects the condensed statement of net assets.

***Space Florida Net Assets***

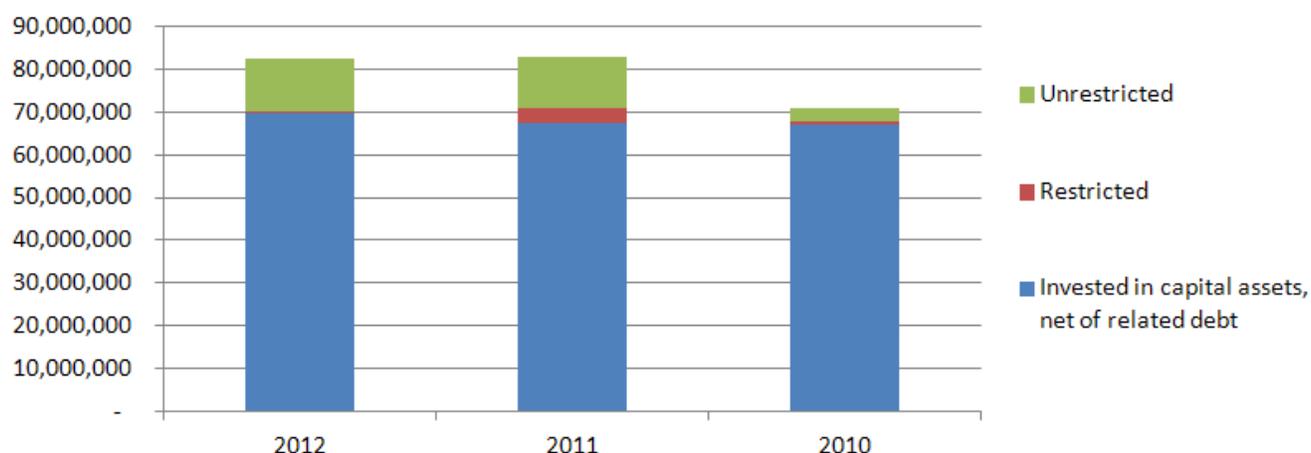
	2012	2011	2010
Cash	\$ 5,095,811	\$ 6,481,948	\$ 2,395,173
Receivables	6,790,158	6,806,910	1,168,299
Investments	4,189,520	3,196,600	-
Other current assets	804,377	492,656	246,885
Capital assets	69,847,259	67,548,759	66,997,610
Lease receivable	5,000,000	-	-
Other assets	1,723,533	766,744	716,496
Total assets	93,450,658	85,293,617	71,524,463
Liabilities	10,949,316	2,407,423	583,027
Total liabilities	10,949,316	2,407,423	583,027
Net assets:			
Invested in capital assets, net of related debt	69,847,259	67,548,759	66,997,610
Restricted	384,898	3,288,953	787,648
Unrestricted	12,269,815	12,048,482	3,156,178
Total net assets	\$ 82,501,342	\$ 82,886,194	\$ 70,941,436

The largest portion of Space Florida net assets as of June 30, 2012 (85 percent), as of June 30, 2011 (81 percent), and as of June 30, 2010 (94 percent) reflects its investment in capital assets (e.g., buildings, equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. Although Space Florida's investment in its capital assets is reported net of related debt above, Space Florida has no outstanding debt. If such debt existed, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Space Florida net assets as of June 30, 2012 (.05 percent), as of June 30, 2011 (4 percent), and June 30, 2010 (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet Space Florida's ongoing obligations.

As of June 30, 2012, 2011, and 2010 Space Florida was able to report positive balances in all three categories of net assets.

**Net Assets**



The following table shows condensed revenue and expense data:

*Space Florida Changes in Net Assets*

	2012	2011	2010
Operating revenues:			
Fees and charges for services	\$ 2,662,362	\$ 2,670,769	\$ 2,806,006
State appropriated funding	10,039,943	20,039,943	3,839,943
Grant revenue	3,161,465	383,590	-
Total operating revenue	<u>15,863,770</u>	<u>23,094,302</u>	<u>6,645,949</u>
Non-operating revenues:			
Other grant revenue	7,722,185	2,708,537	-
Other	16,714	11,105	2,151
Total non-operating revenues	<u>7,738,899</u>	<u>2,719,642</u>	<u>2,151</u>
Total revenues	<u>23,602,669</u>	<u>25,813,944</u>	<u>6,648,100</u>
Operating expenses:			
Business development activities	11,807,606	* 5,022,679	* 1,862,927
Educational research development and workforce activities	2,769,219	* 2,266,058	973,053
Operations	3,272,603	* 2,826,294	* 3,522,922
General, administrative, and depreciation	4,542,223	* 3,737,995	* 2,968,489
Total operating expenses	<u>22,391,651</u>	<u>13,853,026</u>	<u>9,327,391</u>
Non-operating expenses:			
Total non-operating expenses	<u>1,595,870</u>	<u>16,160</u>	<u>728,748</u>
Total expenses	<u>23,987,521</u>	<u>13,869,186</u>	<u>10,056,139</u>
Change in net assets	(384,852)	11,944,758	(3,408,039)
Net assets – beginning	82,886,194	70,941,436	74,349,475
Net assets – ending	<u>\$ 82,501,342</u>	<u>\$ 82,886,194</u>	<u>\$ 70,941,436</u>

(\*) Amounts have been reclassified to conform to the 2012 presentation.

**Changes in Net Assets.** The net assets balance decreased \$384,852, increased \$11,944,758, and decreased \$3,408,039 for the years ended June 30, 2012, 2011 and 2010, respectively. For the year ended June 30, 2012, the decrease in net assets consisted of \$6,527,881 net loss from operations offset by \$6,143,029 in net non-operating revenues that consisted of \$7,722,185 of other grant revenue from the Department of Economic Development, \$16,714 of interest income, less \$1,479,521 for a capital asset contributed to another governmental entity, \$105,272 in interest expense, and \$11,077 foreign currency translation loss. For the year ended June 30, 2011, the increase in net assets consisted of a \$9,241,276 net gain from operations and \$2,703,482 in net non-operating revenues that included \$2,708,537 in other grant revenue and \$11,105 in interest income, less \$16,160 due to a loss on the disposal of fixed assets.

Operating revenues totaled \$15,863,770, \$23,094,302, and \$6,645,949 for the years ended June 30, 2012, 2011, and 2010, respectively, and were primarily provided by State appropriated funding (63, 87, and 58 percent of total operating revenues, respectively), with the remaining being generated from fees, charges for service, and other grant revenues. In addition, Space Florida reported non-operating revenues of \$7,738,899, \$2,719,642, and \$2,151 for the years ended June 30, 2012, 2011, and 2010 respectively. Non-operating revenues in 2012 and 2011 consisted primarily of other grant revenues received for launch complex 36 and exploration park capital improvement projects.

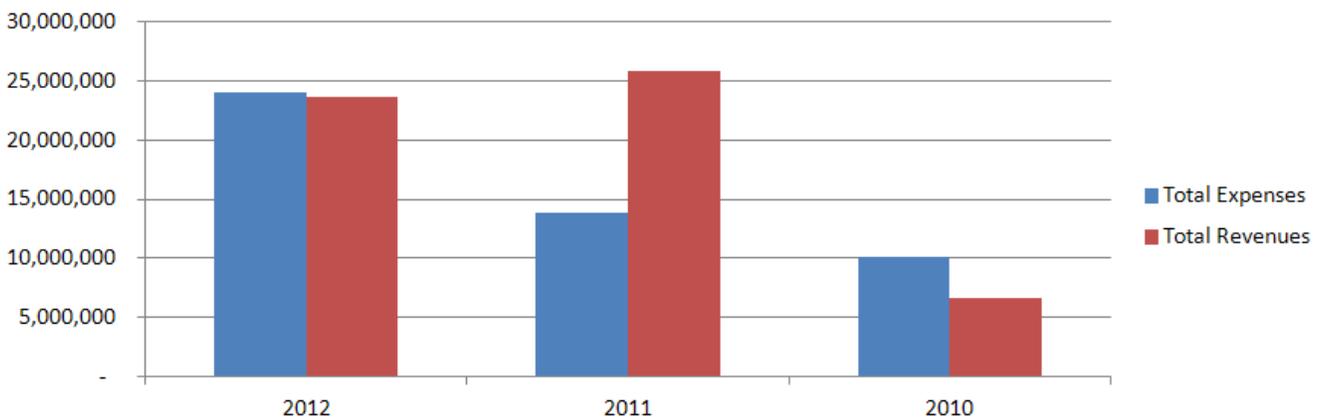
Operating expenses were \$22,391,651 for the year ended June 30, 2012, \$13,853,026 for the year ended June 30, 2011, and \$9,327,391 for the year ended June 30, 2010. Of those totals, 15 percent for the year ended June 30, 2012, and 20 percent for the year ended June 30, 2011, related to general operations, which consist of support for the execution of Space Florida’s responsibilities as a state-created entity, facilities management and policy-related responsibilities. In addition, and related to ownership and management of the operation and its facilities, depreciation totaled \$3,132,930, \$3,130,515, and \$2,478,673 for the years ended June 30, 2012, 2011, and 2010 respectively.

Space Florida’s strategic goal is to operate as a high performance public sector organization by tripling the size of the space industry and its economic impact in Florida by 2020. In addition, an important element of Space Florida’s mission is to promote federal and state policies that increase space enterprise within the State.

As directed by statute, Space Florida is also responsible for fostering the growth and development of a sustainable and world-leading aerospace industry in the State and thus is responsible for accelerating the growth and diversification of aerospace-related economic development throughout the State. Space Florida is partnering with other State entities such as Enterprise Florida to accomplish these directives. During the period of June 30, 2012, June 30, 2011, and June 30, 2010 Space Florida expended 53 percent, 36 percent, and 20 percent, respectively, of its operating expenditures to create and direct activities and programs that retain, attract and help expand aerospace businesses in Florida.

Lastly, 12, 16, and 10 percent, respectively, was expended education, research and development, and workforce development projects for the years ended June 30, 2012, 2011, and 2010. Space Florida’s role in workforce development assistance relates to meeting the specific requirements of a new or expanding business or program. Space Florida facilitates workforce opportunities through the appropriate regional workforce agency depending on the company’s requirements. We continue to invest in R&D and education programs that advance the State’s goals of attracting higher quality proposals and expand program impact throughout the State. These initiatives work together to pursue development of strategies that best leverage Florida’s aerospace assets.

### Total Revenues and Expenses



### Capital Asset and Debt Administration

**Capital assets.** Space Florida’s investment in capital assets as of June 30, 2012, 2011, and 2010 amounted to \$69,847,259, \$67,548,759, and \$66,997,610 (net of accumulated depreciation), respectively. This investment in capital assets includes buildings, improvements, construction in progress, and equipment. Construction in progress as of June 30, 2012 and 2011 primarily consisted of capital improvements to Exploration Park and Launch Complex 36.

**Space Florida Capital Assets**  
(net of depreciation)

	2012	2011	2010
SRMU storage facility	\$ 6,057,627	\$ 6,485,461	\$ 6,908,327
RLV hangar and office space	2,533,163	2,946,328	3,360,091
Orion facility	29,032,417	30,256,789	31,481,160
Space Life Sciences Lab	19,884,049	20,899,186	21,929,600
Furniture, equipment and vehicles	1,054,339	448,816	439,646
Construction in progress	11,285,664	6,512,179	2,878,786
Total	<u>\$ 69,847,259</u>	<u>\$ 67,548,759</u>	<u>\$ 66,997,610</u>

Additional information on Space Florida capital assets can be found in Note 6 on pages 22 to 23 of this report.

Space Florida entered into an agreement in fiscal year 2012 to purchase two research vehicles from a third party. In addition, Space Florida secured a \$5,000,000 loan to be used for the completion of the vehicles. Upon completion of the prototypes, Space Florida will lease them back to the third party at the loan repayment rate. Additional information regarding the lease arrangement and can be found in Notes 5 and 8 on pages 21 and 24, respectively.

Space Florida entered into agreements in fiscal year 2011 to purchase prototypes from third parties to test the technology and capabilities of the prototype. Upon completion of the testing period of one of the prototypes in fiscal year 2012, Space Florida leased back the prototype for a nominal lease rate. At the end of the lease the prototype can be purchased for a nominal value by the third party. As consideration for the lease and option to purchase, the third party issued ownership interest in the third party through common stock and/or warrants. Upon completion of the remaining prototypes, the same lease back and ownership interest agreement will take place. Additional information can be found in Note 14 (Seller 1, 2, & 3) on page 27-28.

Space Florida also entered in to an agreement with a third party to purchase three production vehicles in fiscal year 2011. In fiscal year 2012, this agreement was changed to support a new prototype vehicle. Upon completion of the production of the vehicle Space Florida will lease back the prototype for a nominal lease rate. At the end of the lease the prototype may be purchased for a nominal value by the third party. As consideration for the lease and option to purchase the third party has issued ownership interest in the third party through common stock and/or warrants. Additional information can be found in Note 14 (Seller 1) on page 27 of this report.

Space Florida has agreements with the Cape Canaveral Air Force Station Center for the right to use Space Launch Complexes 36 and 46 for the development of multi-use vertical launch capabilities related to governmental, educational, and commercial initiatives. Space Florida also has an enhanced use lease agreement with NASA John F. Kennedy Space Center for 60 acres with an optional 139 additional acres to develop a mixed-use multi-tenant technology and commerce park referred to as "Exploration Park."

***Requests for Information***

This financial report is designed to provide a general overview of Space Florida's finances for all those with an interest in Space Florida's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Space Florida, SPFL, Building M6-306, Room 9030, Kennedy Space Center, Florida, 32899.

**BASIC FINANCIAL STATEMENTS**

# SPACE FLORIDA

## Statements of Net Assets

June 30, 2012 and 2011

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
<b>Current assets</b>		
Cash:		
Unrestricted	\$ 5,042,716	\$ 1,473,745
Restricted	53,095	5,008,203
Accounts receivable, net of allowance for uncollectible accounts of \$0 and \$50,000 at June 30, 2012 and 2011,	210,961	227,092
Due from other governments:		
Unrestricted	2,509,986	6,579,818
Restricted	4,069,211	-
Investments	4,189,520	3,196,600
Loans receivable, current	22,223	-
Lease receivable, current	901,404	-
Other current assets	804,377	492,656
<b>Total current assets</b>	<u>17,803,493</u>	<u>16,978,114</u>
<b>Noncurrent assets</b>		
Capital assets (net of accumulated depreciation):		
SRMU storage facility	6,057,627	6,485,461
Orion facility	29,032,417	30,256,789
Reusable Launch Vehicle (RLV) hangar and office space	2,533,163	2,946,328
Space Life Sciences Lab	19,884,049	20,899,186
Furniture, equipment, and vehicles	1,054,339	448,816
Construction in progress	11,285,664	6,512,179
Loans receivable, less current portion	1,676,898	725,848
Lease receivable, less current portion	4,098,596	-
Other noncurrent assets	24,412	40,896
<b>Total noncurrent assets</b>	<u>75,647,165</u>	<u>68,315,503</u>
<b>Total assets</b>	<u>93,450,658</u>	<u>85,293,617</u>

# SPACE FLORIDA

Statements of Net Assets (continued)

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	1,113,420	355,100
Salaries payable	102,545	114,813
Unearned revenue	144,469	115,501
Accrued retirement payable	11,614	438
Compensated absences, current portion	70,197	55,026
Deposits	21,751	-
Payable from restricted assets:		
Accounts payable	3,737,408	1,719,250
Line of credit	677,012	-
Note payable, current portion	901,404	-
Total current liabilities	<u>6,779,820</u>	<u>2,360,128</u>
<b>Noncurrent liabilities</b>		
Compensated absences, long-term portion	70,900	47,295
Note payable, long-term portion	4,098,596	-
Total noncurrent liabilities	<u>4,169,496</u>	<u>47,295</u>
<b>Total liabilities</b>	<u>10,949,316</u>	<u>2,407,423</u>
<b>NET ASSETS</b>		
Invested in capital assets	69,847,259	67,548,759
Restricted for:		
Special purpose	384,898	3,288,953
Unrestricted	12,269,185	12,048,482
<b>Total net assets</b>	<u>\$ 82,501,342</u>	<u>\$ 82,886,194</u>

# SPACE FLORIDA

## Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended June 30, 2012 and 2011

	2012	2011
<b>Operating revenues</b>		
Fees and charges for services	\$ 2,662,362	\$ 2,670,769
State appropriated funding	10,039,943	20,039,943
State grant revenue	2,446,145	-
Federal grant revenue	715,320	383,590
Total operating revenues	<u>15,863,770</u>	<u>23,094,302</u>
<b>Operating expenses</b>		
Business development activities	11,807,606	5,022,679
Educational research development and workforce activities	2,769,219	2,266,058
Operations	3,272,603	2,826,294
General and administrative	1,409,293	607,480
Depreciation	3,132,930	3,130,515
Total operating expenses	<u>22,391,651</u>	<u>13,853,026</u>
<b>Income (loss) from operations</b>	<u>(6,527,881)</u>	<u>9,241,276</u>
<b>Non-operating revenues (expenses)</b>		
Interest income	16,714	11,105
Other grant revenue	7,722,185	2,708,537
Interest expense	(105,272)	-
Foreign currency translation loss	(11,077)	-
Loss on disposal of capital assets	-	(16,160)
Capital assets contributed to another governmental entity	(1,479,521)	-
Total non-operating revenues (expenses)	<u>6,143,029</u>	<u>2,703,482</u>
<b>Change in net assets</b>	(384,852)	11,944,758
<b>Net assets, beginning of year</b>	<u>82,886,194</u>	<u>70,941,436</u>
<b>Net assets, end of year</b>	<u>\$ 82,501,342</u>	<u>\$ 82,886,194</u>

# SPACE FLORIDA

## Statements of Cash Flows

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 2,729,212	\$ 2,514,056
Cash paid to suppliers for goods and services	(16,381,237)	(7,630,583)
Cash payments to employees for services	(2,387,794)	(2,499,719)
Loans issued	(1,475,654)	(628,848)
Operating grant receipts	17,271,240	14,842,355
Net cash provided by (used in) operating activities	<u>(244,233)</u>	<u>6,597,261</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital related grant receipts	3,652,974	2,708,537
Purchase and construction of capital assets	(4,892,793)	(5,230,128)
Line of credit draws and payments (net)	677,012	-
Net cash used in capital and related financing activities	<u>(562,807)</u>	<u>(2,521,591)</u>
<b>Cash flows from investing activities:</b>		
Interest received	16,714	11,105
Interest paid	(105,272)	-
Purchase of common stock	(490,539)	-
Net cash provided by (used in) investing activities	<u>(579,097)</u>	<u>11,105</u>
<b>Net increase (decrease) in cash</b>	<u>(1,386,137)</u>	<u>4,086,775</u>
<b>Cash, beginning of year</b>	<u>6,481,948</u>	<u>2,395,173</u>
<b>Cash, end of year</b>	<u><u>\$ 5,095,811</u></u>	<u><u>\$ 6,481,948</u></u>

Cash for the purposes of this statement consists of the following at June 30, 2012 and 2011:

Cash	\$ 5,042,716	\$ 1,473,745
Restricted cash	53,095	5,008,203
Total cash	<u><u>\$ 5,095,811</u></u>	<u><u>\$ 6,481,948</u></u>

## SPACE FLORIDA

Statements of Cash Flows (continued)

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:</b>		
<b>Income (loss) from operations</b>	<u>\$ (6,527,881)</u>	<u>\$ 9,241,276</u>
<b>Adjustment to reconcile income (loss) from operations to net cash provided by (used in) operating activities</b>		
Depreciation expense	3,132,930	3,130,515
Educational expense related to rocket launches	16,484	675,600
Bad debt expense	525,795	311,078
Foreign currency translation loss	(11,077)	-
(Increase) decrease in assets:		
Accounts receivable	(509,664)	(465,511)
Due from other governments	4,069,832	(5,581,178)
Loans receivable	(1,475,654)	(628,848)
Other current assets	(311,721)	(245,771)
Increase (decrease) in liabilities:		
Accounts payable	758,320	63,954
Accrued expenses	-	(589)
Accrued compensated absences	38,776	15,515
Salaries payable	(12,268)	83,327
Deferred revenue	28,968	(2,280)
Deposits	21,751	-
Accrued retirement payable	11,176	173
Total adjustments	<u>6,283,648</u>	<u>(2,644,015)</u>
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ (244,233)</u></u>	<u><u>\$ 6,597,261</u></u>

### SUMMARY OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES, AND INVESTING ACTIVITIES:

During fiscal year 2011, capital leases were entered into with three companies. Fixed assets in the amount of \$3,200,000 were returned to the lessee in exchange for capital lease agreements in the amount of \$3,400, and the receipt of \$3,196,600 in common stock (45,000 shares) and warrants (to purchase 45,300 shares) of the lessee companies .

During fiscal year 2012, Space Florida converted a loan receivable of \$502,381 into common stock (17,686 shares).

During fiscal year 2012, \$5,000,000 of proceeds from a note payable were sent directly from the bank to the lessee under a direct financing lease. The payments Space Florida receives from the lease receivable of \$5,000,000 will be used to pay the note payable over the repayment term.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY – Space Florida is an independent special district, a body politic and corporate, and subdivision of the State of Florida, which was created pursuant to the Space Florida Act, Sections 331.301-331.369, Florida Statutes, as amended. Space Florida's purpose is to foster the growth and development of a sustainable and world-leading aerospace industry in the State of Florida. Space Florida accomplishes its purpose by promoting aerospace business development, facilitating business financing, spaceport operations, research and development, workforce development, and innovative education programs. Space Florida is not considered an "agency" of the State for budgeting, as defined in Florida Statutes 216.011 and 287.012.

The 2010 Florida Legislature passed House Bill 451, which changed the structure of the governing body of Space Florida. Effective August 2010, the Board of Directors was comprised of nine voting members appointed by the Governor, four statutorily designated voting members, and two ex-officio, nonvoting members. One of the ex-officio members was appointed by the President of the Senate and was required to be a member of the Senate, and the other ex-officio member was appointed by the Speaker of the House of Representatives and was required to be a member of the House of Representatives. As of June 30, 2011, no board members had been appointed.

Effective July 1, 2011, Space Florida is governed by a 12 member independent board of directors that consists of the appointed members of the Enterprise Florida, Inc. by the Governor, the President of the Senate, and the Speaker of the House of Representatives pursuant to Florida Statute 288.901.

The Board of Directors accomplishes its oversight of Space Florida through its appointment of a President who implements the policies and directives of the Board of Directors. The President is responsible for the management of the operations of Space Florida.

Space Florida has the authority to purchase or construct facilities, to set rates, fees and charges for the use of facilities and to undertake joint financing with municipalities or private sector entities for projects. Space Florida also has the power to issue bonds and other instruments of indebtedness. The full faith and credit of the State of Florida does not secure any bonds issued by Space Florida.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – Space Florida's financial statements are reported using the economic resources measurement focus, which is concerned with the inflow and outflow of resources that effect an entity. The Statement of Net Assets reflects those resources available to meet current obligations and to be used in the delivery of goods and services in subsequent periods. The Statement of Revenues, Expenses, and Changes in Net Assets summarize those resources received and those consumed during the current period. The fund distinguishes between operating and non-operating revenues and expenses. Operating revenues generally result from leases, administrative fees, and operating grants. Operating expenses include the costs for space business development activities, educational research development and workforce activities, operations, administrative expenses, and depreciation. All revenues and expenses not meeting the definition of operating are reported as non-operating revenues and expenses.

Space Florida is applying all applicable GASB pronouncements and only FASB Statements and Interpretation, Accounting Principals Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Space Florida accounts for all of its activities within one enterprise fund.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**USE OF ESTIMATES** – The process of preparing financial statements in conformity with U.S. generally accepted accounting principals requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Upon settlement, actual results may differ from those estimates.

**CASH** – Consists of cash on hand and demand deposits that are restricted and unrestricted.

**ACCOUNTS RECEIVABLE** – The receivables are funds due to Space Florida from customers. Space Florida does not charge interest on late payments. An allowance of \$50,000 was recorded at June 30, 2011, based on management's estimate of collectability of outstanding accounts receivable balances. At June 30, 2012, management believes that all receivables are collectible.

**INVESTMENTS** – Investments are valued at cost, as permitted by GASB 31, since the stock and warrants are with privately held companies and therefore the fair market value is not readily determinable. Space Florida is allowed to invest in common stock and warrants under Florida Statute 331.305.

**OTHER CURRENT ASSETS** – Consist of deposits and prepaid expenses.

**RESTRICTED ASSETS** – Consist primarily of cash received and unexpended in connection with specific State-funded projects.

**CAPITAL ASSETS** – Are defined as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost when purchased or at fair market value when donated. Additions, improvements and expenditures for repairs and maintenance that extend the lives of assets are capitalized. Other expenditures for repairs and maintenance are charged to expense as incurred. The carrying amount and accumulated depreciation of assets that are sold or retired are removed from the accounts in the year of disposal and any resulting gain or loss is included in results of operations.

Depreciation is provided using the straight-line method over the useful lives of the various classes of depreciable assets. The estimated useful lives of the property and equipment range from 1 to 27 years.

**OTHER NONCURRENT ASSETS** – Consist of donated Super Loki rockets stated at the lower of cost or market.

**ACCRUED COMPENSATED ABSENCES** – Space Florida's reporting of accrued compensated absences has been recorded in accordance with GASB Statement No. 16. A liability is accrued for an employee's right to receive compensation for future absences when certain conditions are met.

**UNEARNED REVENUES** – Include amounts collected before the revenue recognition criteria are met. The unearned items consist of refundable prepaid launch fees.

**DEPOSITS** – Consist of amounts held for tenants of SLSL, and escrow for a loan receivable.

**NET ASSETS** – Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. At June 30, 2012 and 2011, restricted net assets consist primarily of cash received and unexpended in connection with specific State-funded projects. When both restricted and unrestricted resources are available for use, generally it is Space Florida's policy to use restricted resources first, then unrestricted resources as needed.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS CONTRIBUTED TO ANOTHER GOVERNMENTAL ENTITY – During the year ended June 30, 2012, Space Florida contributed some capital assets that it was no longer going to use to NASA.

## NOTE 2 – CASH AND INVESTMENTS

At June 30, 2012 and 2011, the carrying amount of Space Florida's deposits was \$5,095,811 and \$6,481,948, respectively, and the bank balance was \$5,240,510, and \$8,115,100, respectively. These deposits consist of interest and non-interest bearing demand accounts that are covered by federal depository insurance corporation (FDIC) up to \$250,000. Effective October 3, 2008, the federal government increased the FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. Effective July 21, 2010, the federal government made the temporary FDIC limit of up to \$250,000 per depositor permanent. Monies invested in amounts greater than FDIC limits are secured by collateral held by Space Florida's agent, pursuant to the Florida Security for Public Deposits Act (the "Act"). The Act requires that Space Florida maintain deposits only in "qualified public depositories." All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. Should a default or insolvency occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of Space Florida. Therefore, Space Florida's deposits are considered to be fully insured.

Florida Statute 331.309 authorizes Space Florida to select as a depository any qualified public depository as defined in Florida Statute 280.02. Space Florida may also deposit funds with the State Treasury.

Cash at June 30, 2012 and 2011, consists of the following:

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$ 5,095,811</u>	<u>\$ 6,481,948</u>
Classified as:		
Cash	\$ 5,042,716	\$ 1,473,745
Restricted cash	53,095	5,008,203
	<u>\$ 5,095,811</u>	<u>\$ 6,481,948</u>

### Credit risk

Florida Statute 331.348 authorizes Space Florida to invest in funds backed by the federal, and local governments, or any investment authorized in Florida Statute 17.57.

### Interest rate risk

Space Florida's investment policy and Florida Statute do not limit the maturities of investments to reduce the interest rate risk.

### Foreign currency risk

Space Florida has common stock with a fair value of \$992,920 that is denominated in English Pounds. Florida Statute 331.305 authorizes Space Florida to purchase interest in foreign corporations.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

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## NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

### Concentration of credit risk

Space Florida's investment policy and Florida Statute 331.348 does not limit the concentration of types of investments.

At June 30, 2012 and 2011, Space Florida had the following investments that were greater than 5% of their total investments:

	2012	2011
Cella Energy Limited- 35,374 shares of common stock	\$ 992,920	\$ -
Instant Eyes, Inc. - 20,000 shares of common stock	249,650	249,650
Instant Eyes, Inc.- warrants to purchase 20,000 shares of common stock	249,650	249,650
Rivian Automotive, Inc. - warrants to purchase 300 shares of common stock	1,498,000	1,498,000
Speed of Need Solutions, Inc. - 25,000 shares of common stock	500,000	500,000
Speed of Need Solutions, Inc.- warrants to purchase 25,000 shares of common stock	699,300	699,300
Total	<u>\$ 4,189,520</u>	<u>\$ 3,196,600</u>

### Custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, Space Florida will not be able to recover the value of the investments that are in the possession of an outside party. Space Florida does not have a formal policy for custodial credit risk. Space Florida's investments of \$4,189,520 and \$3,196,600, as of June 30, 2012 and 2011, respectively, are for securities uninsured, unregistered, and are being held by the individual companies that have issued the stock.

## NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments is comprised of \$6,579,197 and \$6,579,818 of State appropriations for operations at June 30, 2012 and 2011, respectively. At June 30, 2012, \$4,069,211 was restricted for infrastructure and job creation.

## NOTE 4 – LOANS RECEIVABLE

Space Florida entered into several loan agreements with a Company and loaned them a total of \$1,036,925 through June 30, 2011, and charged 1% interest per year. During February 2012, the previous loans were refinanced, and an additional \$399,076 was loaned to the Company. The loan is secured by collateral in an engine. Interest only payments are due monthly beginning March 2013, and 1% principal payments are due annually beginning February 2014 with a balloon payment due in 2022. No payments are due until March 2013 on the loans receivable; however, Space Florida's management has estimated a portion of the receivable will most likely not be collected and has recorded an allowance of \$836,880, and \$311,077, at June 30, 2012 and 2011, respectively.

Space Florida entered into a loan agreement with another Company (Company 2) and loaned them \$1,000,000 on May 24, 2012. Company 2 can make two other draws for \$1,000,000 each during the next 18 months if they choose. The principal and interest is due in one payment 4 years after the last payment of principal. Space Florida can elect to have the interest paid to them in the form of common stock of Company 2. The interest accrues at rate of 4%. As additional compensation for the loan, Space Florida will receive warrants in the future based upon when Company's first flight occurs. As of June 30, 2012, Space Florida did not have any warrants.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

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## NOTE 4 – LOANS RECEIVABLE (CONTINUED)

Space Florida entered into a loan agreement with another Company (Company 3) and loaned them \$100,000 on November 9, 2011. The loan accrues interest at 2% per year. The payments are interest only beginning June 2012 for six months followed by 24 monthly payments of \$2,833, and a final balloon payment of any remaining principal and interest.

Space Florida entered into a loan and stock purchase agreement with another Company (Company 4). Space Florida loaned Company 4 \$498,272 on July 1, 2011. The principal (\$482,272) and interest (\$4,110) were converted into 17,686 shares of stock on September 28, 2011. In addition on September 28, 2011, Space Florida purchased an additional 17,688 shares at \$490,539 of Company 4's stock. Company 4's stock is foreign stock. There was a foreign currency translation loss on the initial loan of \$1,728, a foreign currency translation gain of \$112 for the interest earned on the loan, and a \$9,461 loss on the stock purchase.

## NOTE 5 – LEASE RECEIVABLE

Space Florida entered into a direct financing lease agreement with a Company for two research vehicles in September 2011. The lease began on July 2, 2012. The lease agreement requires 60 monthly payments of \$90,959, including interest at a rate of 3.15%, beginning July 2, 2012. The lease proceeds are being used to repay the note payable. The same equipment is collateral for the note payable (See Note 8). There were no executory costs, unguaranteed residual values, deferred initial direct costs, or unearned income.

The future payments are as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 901,404	\$ 190,101	\$ 1,091,505
2014	972,604	118,901	1,091,505
2015	1,006,528	84,977	1,091,505
2016	1,041,602	49,903	1,091,505
2017	1,077,862	13,938	1,091,800
Totals	<u>\$ 5,000,000</u>	<u>\$ 457,820</u>	<u>\$ 5,457,820</u>

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	2012			
	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Construction in progress	\$ 6,512,179	\$ 6,232,683	\$ (1,459,198)	\$ 11,285,664
Total capital assets not being depreciated	6,512,179	6,232,683	(1,459,198)	11,285,664
Capital assets, being depreciated:				
SRMU storage facility	8,546,920	-	-	8,546,920
RLV hangar and office space	4,696,984	-	-	4,696,984
Orion facility	32,032,069	-	-	32,032,069
Space Life Sciences Lab	25,463,414	-	-	25,463,414
Launch complex 36	-	20,210	-	20,210
Furniture, equipment and vehicles	873,740	678,268	(47,415)	1,504,593
Total capital assets being depreciated	71,613,127	698,478	(47,415)	72,264,190
Less accumulated depreciation for:				
SRMU storage facility	(2,061,459)	(427,834)	-	(2,489,293)
RLV hangar and office space	(1,750,656)	(413,165)	-	(2,163,821)
Orion facility	(1,775,280)	(1,224,372)	-	(2,999,652)
Space Life Sciences Lab	(4,564,228)	(1,015,137)	-	(5,579,365)
Launch complex 36	-	(20,210)	-	(20,210)
Furniture, equipment and vehicles	(424,924)	(52,422)	27,092	(450,254)
Total accumulated depreciation	(10,576,547)	(3,153,140)	27,092	(13,702,595)
Total capital assets, being depreciated, net	61,036,580	(2,454,662)	(20,323)	58,561,595
Capital assets, net	\$ 67,548,759	\$ 3,778,021	\$ (1,479,521)	\$ 69,847,259

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

## NOTE 6 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2011 was as follows:

	2011			Balance June 30, 2011
	Balance June 30, 2010	Increases	Decreases	
Capital assets, not being depreciated:				
Construction in progress	\$ 2,878,786	\$ 6,833,393	\$ (3,200,000)	\$ 6,512,179
Total capital assets not being depreciated	<u>2,878,786</u>	<u>6,833,393</u>	<u>(3,200,000)</u>	<u>6,512,179</u>
Capital assets, being depreciated:				
SRMU storage facility	8,541,951	4,969	-	8,546,920
RLV hangar and office space	4,696,984	-	-	4,696,984
Orion facility	32,032,069	-	-	32,032,069
Space Life Sciences Lab	25,463,414	-	-	25,463,414
Furniture, equipment and vehicles	863,776	3,259,462	(3,249,498)	873,740
Total capital assets being depreciated	<u>71,598,194</u>	<u>3,264,431</u>	<u>(3,249,498)</u>	<u>71,613,127</u>
Less accumulated depreciation for:				
SRMU storage facility	(1,633,624)	(427,835)	-	(2,061,459)
RLV hangar and office space	(1,336,893)	(413,763)	-	(1,750,656)
Orion facility	(550,909)	(1,224,371)	-	(1,775,280)
Space Life Sciences Lab	(3,533,814)	(1,030,414)	-	(4,564,228)
Furniture, equipment and vehicles	(424,130)	(34,132)	33,338	(424,924)
Total accumulated depreciation	<u>(7,479,370)</u>	<u>(3,130,515)</u>	<u>33,338</u>	<u>(10,576,547)</u>
Total capital assets, being depreciated, net	<u>64,118,824</u>	<u>133,916</u>	<u>(3,216,160)</u>	<u>61,036,580</u>
Capital assets, net	<u>\$ 66,997,610</u>	<u>\$ 6,967,309</u>	<u>\$ (6,416,160)</u>	<u>\$ 67,548,759</u>

## NOTE 7 – LINE OF CREDIT

Space Florida entered into a line of credit in September 2011, and has available \$3,000,000. At June 30, 2012, \$677,012 was outstanding under this line of credit. The line of credit matures on September 30, 2012. Interest on the line of credit's outstanding balance is charged on a monthly basis and is at the LIBOR rate plus a 3.25% percent margin (3.5% as of June 30, 2011).

Interest expense under this line of credit was \$19,936 for the year ended June 30, 2012.

Short-term liability activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
	Line of Credit	<u>\$ -</u>	<u>\$ 2,660,425</u>	<u>\$ (1,983,413)</u>

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

## NOTE 8 – LONG-TERM DEBT

### Note Payable

On September 16, 2011, Space Florida entered into a loan agreement with a bank in the amount of \$5,000,000. The note was issued for a period of 5 years with an interest rate of 3.15%. Monthly payments of \$90,958.72 are due on the 30<sup>th</sup> of every month beginning July 30, 2012. The outstanding principal balance as of June 30, 2012 is \$5,000,000. Payment of principal and interest on the note payable is secured by collateral of equipment (in Note 5).

Annual debt service requirements to maturity for the note payable outstanding are as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 901,404	\$ 190,101	\$ 1,091,505
2014	972,604	118,901	1,091,505
2015	1,006,528	84,977	1,091,505
2016	1,041,602	49,903	1,091,505
2017	1,077,862	13,938	1,091,800
Totals	\$ 5,000,000	\$ 457,820	\$ 5,457,820

### Changes In Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2012 and 2011, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Notes payable	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 901,404
Compensated absences	102,321	114,656	(75,880)	141,097	70,197
Total	\$ 102,321	\$ 5,114,656	\$ (75,880)	\$ 5,141,097	\$ 971,601

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Compensated absences	\$ 86,806	\$ 121,062	\$ (105,547)	\$ 102,321	\$ 55,026
Total	\$ 86,806	\$ 121,062	\$ (105,547)	\$ 102,321	\$ 55,026

## NOTE 9 – CONDUIT DEBT

As defined by GASB Interpretation No. 2, conduit debt obligations are certain limited obligation debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although the conduit debt obligations bear the name of the governmental entity, the entity has no obligation to repay the conduit debt beyond the resources provided by a lease or loan to the third party. GASB has concluded that conduit debt does not create a liability for the governmental entity and, therefore, is not reflected on the entity's basic financial statements. Space Florida has participated in the issuance of conduit debt projects that are not reflected on the statement of net assets of its basic financial statements.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

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## **NOTE 9 – CONDUIT DEBT (CONTINUED)**

The conduit debt transactions discussed below are limited obligation debts of Space Florida and are payable solely from the pledged revenues described in the respective debt agreements. Neither the faith nor credit, nor the taxing power of Space Florida, the State of Florida, nor any subdivision thereof is pledged to the payment of the debts.

During January 2000, the Florida Space Authority entered into an agreement to assist in the financing and modification of Launch Complex 41 for use of the Atlas V rocket. This project was completed during the year ended June 30, 2003. The original value of the Florida Space Authority assisted financing on this project was approximately \$294,117,000. With the dissolution of the Florida Space Authority on September 1, 2006, the conduit debt was assigned to Space Florida. The debt was refinanced in November 2010 with a principal balance of \$100,000,000. As of June 30, 2012 and 2011, respectively, the outstanding balance was approximately \$76,851,661 and \$83,694,570. Rental revenue received on the Atlas V facility was being used to pay off the debt.

During July 2005, the Florida Space Authority entered into an agreement to assist in the financing related to the construction of a Shuttle Launch Experience facility to be located at the Kennedy Space Center. With the dissolution of the Florida Space Authority on September 1, 2006, the conduit debt was assigned to Space Florida. The project was completed during the year ended June 30, 2009, at which point the total value of the Florida Space Authority assisted financing on this project was approximately \$35,000,000. As of June 30, 2011, the outstanding balance on Space Florida assisted financing was approximately \$10,698,000.

During March 2007, Space Florida entered into an agreement to assist in additional financing related to the construction of a Shuttle Launch Experience facility to be located at the Kennedy Space Center. The project was completed during the year ended June 30, 2009, at which point the total value of the Florida Space Authority assisted financing on this project was approximately \$5,000,000. As of June 30, 2011, the outstanding balance on Space Florida assisted financing was approximately \$4,567,000.

During March 2012, Space Florida entered into an agreement to assist with financing related to the construction of the facility to house Atlantis. This is being attached to the Shuttle Launch Experience facility. The \$35,000,000, and \$5,000,000 were refinanced into one loan with an additional \$22,500,000. The total amount of assisted financing is \$62,500,000. As of June 30, 2012, the outstanding balance on Space Florida assisted financing was approximately \$18,238,811. The debt will be repaid from a percentage of ticket sale revenues at the Kennedy Space Center Visitor Complex.

## **NOTE 10 – SRMU STORAGE FACILITY**

On May 15, 2007, Space Florida entered into an agreement to lease the Titan IV Solid Rocket Motor Upgrade (SRMU) storage facility constructed at Camp Blanding, Florida. The lease is currently extended through September 30, 2012, and may be extended for up to seven additional one year periods. However, the tenant may terminate the lease with a 90-day written notice. During the years ended June 30, 2012 and 2011, Space Florida recorded lease revenue of \$512,013 and \$504,401, respectively.

The SRMU storage facility was constructed on land owned by the State of Florida Armory Board. The annual land use fee for fiscal years 2012 and 2011 is approximately \$227,000 and \$206,000, respectively, and is payable by Space Florida in monthly installments of approximately \$19,000 and \$17,000, respectively.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

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## **NOTE 10 – SRMU STORAGE FACILITY (CONTINUED)**

If the current tenant chooses not to renew the lease and no suitable lease agreement is secured with another tenant, management believes the service utility of the facility would be significantly reduced. Under such circumstances, and in accordance with GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, Space Florida would be required to report an impairment loss, not to exceed the then carrying value of the facility, which is \$6,057,627 as of June 30, 2012. However, management believes the current tenant will continue to renew the lease. Accordingly, no impairment loss has been recorded as of June 30, 2012 or 2011.

Space Florida also stores the majority of its inventory of Super Loki rockets (Note 1) at the Camp Blanding facility. Depending on how the facility is ultimately utilized, as described above, Space Florida may be forced to either destroy or donate its stock of Super Loki rockets. If such circumstances occurred, Space Florida would be required to record a loss of approximately \$21,712, the carrying value of the rockets stored at its Camp Blanding facility. As of June 30, 2012, management believes it will be able to continue to store the rockets at its Camp Blanding facility and have, therefore, not recorded a contingent loss.

## **NOTE 11 – SPACE LIFE SCIENCES LAB**

Space Florida leases the Space Life Sciences Lab (SLSL) to NASA and other lessees under lease agreements that end between September 30, 2012 and April 30, 2014. The net carrying value of the facility at June 30, 2012 and 2011 was \$19,884,049, and \$20,899,186, respectively. During the years ended June 30, 2012 and 2011, Space Florida recorded lease revenue of \$1,057,000 and \$1,277,770, respectively.

The SLSL lease agreement also provides that the tenants are responsible for the operation and maintenance of the facility. However, Space Florida makes monthly payments to the tenant to cover such expenses. During the years ended June 30, 2012 and 2011, Space Florida recorded operations and maintenance expenses related to the SLSL facility of \$1,691,145 and \$726,859, respectively.

## **NOTE 12 – HANGAR LEASE**

During fiscal year 2011, Space Florida entered into lease agreements to rent hangars in order to attract new business to Brevard County. The leases expire in December 2012, with monthly payments ranging from \$5,637 to \$12,600.

Minimum future rental payments under non-cancelable operating leases as of June 30, 2012 of \$223,470, are all due during the year ending June 30, 2013.

The rent expense for the years ended June 30, 2012 and 2011 was \$425,925 and \$223,469, respectively.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

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## NOTE 13 – RIGHTS AND ACCESS

### Launch Complex 36

Space Florida was granted a license (right to use) to Space Launch Complex 36 at Cape Canaveral Air Force Station from the Secretary of the Air Force for a period of five years commencing in November 2009 and ending November 2014. Space Florida anticipates renewal of the license in five year increments. The intended purpose of the complex, with certain limitations as described in the license agreement, is for the construction and operation of a multi-use vertical launch complex capable of supporting several launch vehicle configurations ranging from light to medium lift. The license is revocable at the will of the Secretary of the Air Force.

### Launch Complex 46

Space Florida was granted a license (right to use) to Space Launch Complex 46 (SLC-46) at Cape Canaveral Air Force Station from the Secretary of the Air Force for a period of five years from September 2008 and ending September 2013. Space Florida anticipates renewal of the license in five year increments. The intended purpose of the complex, with certain limitations as described in the license agreement, is for the construction and operating of a launch complex that is capable to support space launches and other directly related activities for government, education, and commercial purposes. Through an agreement with the Air Force and Navy, Space Florida shares SLC-46 site with the Naval Ordnance Test Unit (NOTU). The license is revocable at the will of the Secretary of the Air Force.

### Exploration Park

On January 1, 2009, Space Florida entered into a 60 year enhanced use lease agreement, including additional extension options, with NASA's John F. Kennedy Space Center for 60 acres and an optional 139 additional acres located adjacent to the SLSL. The intended purpose of this property, with certain limitations as described in the lease agreement, is for the development of a mixed-use, multi-tenant technology, and commerce park referred to as "Exploration Park." The park is intended to host diverse aerospace-related activities for commercial, civil, and military tenants.

## NOTE 14 – PROTOTYPE TESTING AGREEMENTS

During June 2010, Space Florida entered into an agreement to purchase an ultra efficient vehicle prototype from a third party entity (Seller 1) for \$500,000, for the purpose of testing the technology and capabilities of the prototype. Seller 1 delivered the prototype on October 15, 2010, and the testing period began.

Under the terms of the agreement, upon expiration of the testing period, Space Florida was to lease back the prototype to the seller. The sales lease back began on October 15, 2010 at the rate of \$100 per year for 10 years. At the end of the lease, Seller 1 has the option to repurchase the prototype for \$100. As additional consideration for the lease and option to purchase, the Seller issued to Space Florida a warrant with a 10 year term to acquire 100 shares of Seller 1's common stock, which is estimated to equal a 1% ownership interest in Seller 1. The common stock warrants allow shares to be purchased for \$1,000 per share.

During March 2011, Space Florida entered into an additional and separate agreement with Seller 1 to purchase three vehicles for \$1,000,000. As of June 30, 2011, the vehicles were in the final design and construction phase and were expected to be completed during fiscal year ended June 30, 2012. In May 2012, Space Florida and Seller 1 agreed to change the deliverable of this agreement to a new Prototype and extend the commencement date of the lease to December 31, 2013 in order to provide a more appropriate response to the market. At the completion of the prototype, the vehicle will be leased back to Seller 1 at \$100 per year for 10 years. Seller 1 has an option to purchase the vehicle the end of the lease for \$100. Seller 1 issued Space Florida a warrant with a 10 year term to acquire 200 shares of the Seller's common stock. The warrants allow common stock shares to be purchased for \$1,843 per share and is equal to a 2% ownership interest in Seller 1.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2012 and 2011

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## NOTE 14 – PROTOTYPE TESTING AGREEMENTS (CONTINUED)

Also, in March 2011, Space Florida entered into an agreement to purchase a prototype from Seller 2 for \$1,200,000, for the purpose of testing the technology and capabilities of the prototype. Of the \$1,200,000, \$500,000 was a loan convertible into common stock of Seller 2. Space Florida converted the loan during the fiscal year ended June 30, 2012 and obtained 25,000 shares of common stock of Seller 2. A sales lease back will begin on the completion of the construction of the prototype. Seller 2 will lease the vehicle for 7 years for \$100 a year, and at the end of the lease can purchase the prototype for \$100. As additional consideration for the lease, Seller 2 gave Space Florida warrants to purchase 25,000 shares of common stock in Seller 2, this is an estimated ownership of 2.5% in Seller 2. The warrants can be exercised for \$0.01 a share.

In June 2011, Space Florida entered into an agreement to purchase a prototype from a third party (Seller 3) for \$500,000, for the purpose of testing the technology and capabilities of the prototype. A sales lease back will begin upon the completion of the construction of the prototype. Seller 3 will lease the vehicle for 7 years for \$100 a year, and at the end of the lease can purchase the prototype for \$100. As additional consideration for the lease, Seller 3 gave Space Florida warrants to purchase 20,000 shares of common stock in Seller 3, this is an estimated ownership of 2% in Seller 3. The warrants can be exercised for \$0.01 a share.

As of June 30, 2012 and 2011, the warrants and common stock are recorded in investments, and the receivables for the capital leases are included in other current assets.

## NOTE 15 – RETIREMENT PLAN

Effective September 1, 2006, Space Florida established a Simplified Employee Pension Plan (the “Plan”). The Plan eliminates the taxation required for the social security element of the Federal Insurance Contributions Act (FICA) for all participants and for Space Florida. Employees may not contribute to social security while participating in the Plan.

All employees of Space Florida are eligible to participate in the Plan immediately. Participants vest at 100% upon entering the Plan and retirement is set at age 65. The Plan is non-contributory for employees and, therefore, all contributions are the obligation of Space Florida. Contributions to the Plan for the years ended June 30, 2012 and 2011 were \$372,148 and \$327,624, respectively, and represented 15% of total eligible employee gross compensation for each period.

## NOTE 16 – COMMITMENTS AND CONTINGENCIES

### Commitments

Contract commitments at June 30, 2012 and 2011 were approximately \$3,762,033 and \$4,204,533, respectively, and related to the prototype testing agreement (Note 14) and certain other consulting agreements.

### Economic Dependency

Space Florida received approximately 87% and 88% of its total support from State legislative appropriations, and grants during the years ended June 30, 2012 and 2011, respectively.

### State Appropriated Funds & Federal Contracts

Amounts received from State and Federal agencies are subject to audit and adjustment at the discretion of these entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the agency would become a liability of Space Florida.

# **SPACE FLORIDA**

Notes to the Financial Statements

June 30, 2012 and 2011

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## **NOTE 17 – RELATED PARTY TRANSACTIONS**

On August 8, 2011, Space Florida gave \$1,250,000 to a related party for start-up costs. Space Florida will also provide office space at SLSL, at no cost, to the third party for three years.

Space Florida provided consulting and administrative services to a related party. These fees totaled \$15,200 during fiscal year 2012.

## **NOTE 18 – RECLASSIFICATION**

Some expenses for the year ending June 30, 2011 have been reclassified to conform to the current year presentation.

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SUPPLEMENTARY INFORMATION

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## SPACE FLORIDA

### Schedule of Travel, Entertainment, and Incidental Expenses

For the year ended June 30, 2012

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Domestic:

Travel and incidental (1)	\$ 311,865
Entertainment	<u>38,627</u>
Total domestic	<u>350,492</u>

Foreign:

Travel and incidental (1)	167,250
Entertainment	<u>4,557</u>
Total foreign	<u>171,807</u>
Total	<u><u>\$ 522,299</u></u>

(1) Incidental expenses consist of telephone charges and gratuities.

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**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***

The Board of Directors  
Space Florida

We have audited the financial statements of Space Florida as of and for the year ended June 30, 2012, and have issued our report thereon dated September 7, 2012. 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.

**Internal Control Over Financial Reporting**

Management of Space Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Space Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Space Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Space Florida's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Space Florida's financial statements are free of 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*.

The Board of Directors  
Space Florida  
Page Two

This report is intended solely for the information and use of management, Space Florida's Board of Directors, others within the entity, Federal and State awarding agencies, specific legislative or regulatory bodies, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr Riggs & Ingram, LLC*

**Carr, Riggs & Ingram, LLC**  
Melbourne, Florida  
September 7, 2012

**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Awards Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General**

The Board of Directors  
Space Florida

### **Compliance**

We have audited Space Florida's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the State Projects Compliance Supplement that could have a direct and material effect on each of Space Florida's major federal programs and state projects for the year ended June 30, 2012. Space Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Space Florida's management. Our responsibility is to express an opinion on Space Florida's compliance based on our audit.

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; OMB Circular A-133; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, 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 federal program or state project occurred. An audit includes examining, on a test basis, evidence about Space Florida'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. Our audit does not provide a legal determination of Space Florida's compliance with those requirements.

In our opinion, Space Florida complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2012.

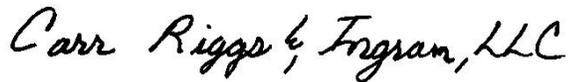
### **Internal Control Over Compliance**

Management of Space Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Space Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, 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 Space Florida'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 federal program or 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 federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Space Florida's Board of Directors, others within the entity, Federal and State awarding agencies, specific legislative or regulatory bodies, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Carr Riggs & Ingram, LLC". The signature is written in a cursive, flowing style.

**Carr, Riggs & Ingram, LLC**  
Melbourne, Florida  
September 7, 2012

# SPACE FLORIDA

## Schedule of Findings and Questioned Costs

For the year ended June 30, 2012

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### Section I—Summary of Auditors' Results

#### *Financial Statements*

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                   \_\_\_ yes            X no
- Significant deficiency(ies) identified?           \_\_\_ yes            X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes            X no

#### *Federal Awards and State Projects*

Internal control over major federal programs and state projects:

- Material weakness(es) identified?                   \_\_\_ yes            X no
- Significant deficiency(ies) identified?           \_\_\_ yes            X none reported

Type of auditors' report issued on compliance for major federal programs and state projects:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and/or Chapter 10.550?

\_\_\_ yes            X no

Identification of major federal programs and state projects:

#### Federal CFDA Numbers

11.307  
43.AAA

#### Federal Program or Cluster

Economic Adjustment Assistance  
Launch Complexes 36 and 48 and Thermal Vacuum Chamber

#### State CSFA Numbers

31.004

#### Name of State Project

Space Florida

Dollar threshold used to distinguish between type A and B programs was \$300,000 for major federal programs and \$807,536 for major state projects.

Auditee qualified as a low-risk auditee for federal purposes?

\_\_\_ yes            X no

# SPACE FLORIDA

Schedule of Findings and Questioned Costs (continued)

For the year ended June 30, 2012

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## **Section II–Financial Statement Findings**

No matters were reported.

## **Section III–Federal Award Findings and Questioned Costs**

No matters were reported.

## **Section IV–State Project Findings and Questioned Costs**

No matters were reported.

## **Section V–Other Issues**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal award or State financial assistance projects.

No Corrective Action Plan is required because there were no findings required to be reported under either OMB Circular A-133 or the Florida Single Audit Act.

# SPACE FLORIDA

## Schedule of Expenditures of Federal Awards and State Financial Assistance

For the year ended June 30, 2012

Federal /State Agency	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfer to Subrecipients
<b>National Aeronautics and Space Administration</b>				
Direct Projects, FY10 Earmark Request for Proposal				
Launch Complexes 36 and 46	43.AAA	NNX10AH23G	\$ 55,800	\$ -
Thermal Vacuum Chamber	43.AAA	NNX10AH24G	186,439	-
Total National Aeronautics and Space Administration			242,239	-
<b>U.S. Department of Commerce</b>				
<b>Economic Development Administration</b>				
Direct Projects, Economic Adjustment Assistance				
Space Coast Clean Energy Jobs Accelerator	11.307	04-69-06595	234,706	234,706
FL Space Coast Region	11.307	04-69-06471	129,000	-
Total U.S. Department of Commerce			363,706	234,706
<b>U.S. Small Business Administration</b>				
Direct Projects, Technical Assistance				
Space Coast Clean Energy Cluster	59.007	SBAHQ-11-J-0036	109,375	-
Total Expenditures of Federal Awards			\$ 715,320	\$ 234,706
<b>Florida Department of Economic Opportunity</b>				
Direct Projects, Space Florida				
Funding & Program Agreement	31.004	SB-12-008	\$ 8,442,724	\$ -
Jobs Agreement	31.004	OT-11-011	8,055,991	-
Infrastructure Agreement	31.004	OT-11-021	7,686,429	-
<b>Florida Department of Transportation</b>				
Direct Projects				
Space Florida	31.004	FM/#430124-1-94-01	2,079,301	-
Space Florida	31.004	FM/#430254-1-12-01	62,500	-
Space Florida	31.004	FM/#430254-1-12-02	74,433	-
Total CSFA number 31.004			26,401,378	-
<b>Florida Economic Development Council</b>				
Direct Projects				
Defense Infrastructure Grants	31.003	DIG 11-04	436,606	-
Defense Infrastructure Grants	31.003	DIG 12-05	79,870	-
Total Florida Economic Development Council			516,476	-
Total Expenditures of State Financial Assistance			\$26,917,854	\$ -

Note: This schedule is prepared on the accrual basis of accounting.

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## **Independent Auditors’ Management Letter**

The Board of Directors  
Space Florida

We have audited the financial statements of Space Florida as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated September 7, 2012.

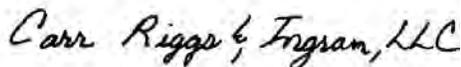
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our 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*, Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 7 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors’ reports or schedule:

- ❖ Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no corrective actions to be taken as there were no findings and recommendations made in the preceding annual financial audit report.
- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Space Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of Space Florida is disclosed in the footnotes.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the special condition(s) met. In connection with our audit, we determined that Space Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Space Florida for the fiscal year ended June 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Space Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This report is intended solely for the information and use of management, Space Florida's Board of Directors, others within the entity, Federal and State awarding agencies, specific legislative or regulatory bodies, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



**Carr, Riggs & Ingram, LLC**  
Melbourne, Florida  
September 7, 2012