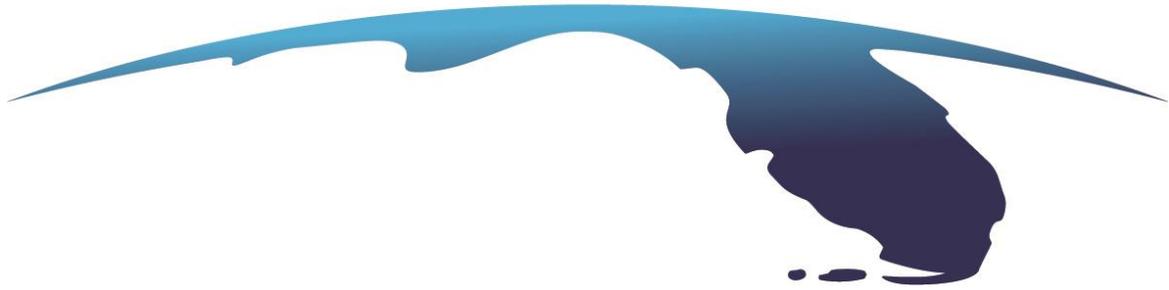


S P A C E F L O R I D A



**Space Florida
Board of Directors Meeting**

August 21, 2017



The Westin Fort Lauderdale Beach Resort
321 N Fort Lauderdale Beach Blvd, Fort Lauderdale, FL 33304
Meeting Room: Rio Vista Room



August 21, 2017 2:00p.m. - 4:00p.m.

**Call-in Number: 888-204-5987
Guest Code: 4503386 #**

**The Westin Fort Lauderdale Beach Resort
321 N Fort Lauderdale Beach Blvd, Fort Lauderdale, FL 33304
Meeting Room: Rio Vista Room**

Agenda Items

Call to Order and Pledge of Allegiance	Bill Dymond
Roll Call	Emma Newsham
Welcome & Introductions	Bill Dymond
Public Comments	Bill Dymond
Business Before the Board	
1. Approval of Minutes <ul style="list-style-type: none"> • June 1, 2017 	Bill Dymond
2. Audit & Accountability Committee Reports <ul style="list-style-type: none"> • Interim Financial 6/30/17 • Budget 07/1/17-9/30/17 • Audited Financial Statements 09/30/16 	Denise Swanson
3. Governance and Compensation Committee Reports <ul style="list-style-type: none"> • Compensating and Performance Management 	Howard Haug
4. Contracts/Business Development/Projects Activities <ul style="list-style-type: none"> • Department of Economic Opportunity (DEO) • 2017 Florida-Israeli Aerospace Research & Development Program • Ivey's Construction at Launch Complex 46 • Space Florida Facility and Property Management • Service Provider Policy and Utility Access at Exploration Park • University of Central Florida's Florida Space Grant Consortium • Florida Venture Forum • FDOT Economic Development Transportation Project • FDOT Planning & Engineering • Matrix – Resolution • GKN - Resolution • Renewable Performance Bond – OPF3 	Frank DiBello/ Howard Haug
President's Report	Frank DiBello
Near Term – Upcoming Events: <ul style="list-style-type: none"> • August 25, 2017 – Orbital ATK Launch – Minotaur 4 ORS 5 • September 11, 2017 – ULA Atlas V Launch – NROL-52 • November 29-30, 2017 – Space Florida Board Meeting – Jacksonville, FL <p><small>*Launch dates and times are subject to change. Visit http://launches.wearegofl.com for updates.</small></p>	Frank DiBello
Closing Remarks / Adjournment	Bill Dymond

S P A C E F L O R I D A



SPACE FLORIDA BOARD OF DIRECTORS

William T. Dymond, Jr., Chairman
President, CEO and Managing Partner
Lowndes, Drosdick, Doster, Kantor & Reed

Jay Beyrouti
President, Monicarla, Ltd.

Jesse Biter
President/CEO, Biter Enterprises, LLC.

Julius D. Davis
President and CEO, Voltair Engineers

Sonya Deen
Vice President of Government Relations, JM Family Enterprises, Inc.

Mori Hosseini
Chairman & CEO, ICI Homes

Kenneth Kahn
President, LRP Publications, Inc.

Belinda Keiser
Vice Chancellor, Keiser University

John Rood
Chairman, The Vestcor Companies, Inc.

Jason Steele
Director of Government Affairs, Smith and Associates

Andrew Weatherford
Partner, Weatherford Partners

SPACE FLORIDA



SPACE FLORIDA BOARD OF DIRECTORS

AUDIT & ACCOUNTABILITY COMMITTEE

John Rood
Chairman
The Vestcor Companies, Inc.

Andrew Weatherford
Partner
Weatherford Partners

GOVERNANCE & COMPENSATION COMMITTEE

Jesse Biter
President/CEO
Biter Enterprises, LLC.

Belinda Keiser
Vice Chancellor
Keiser University

Julius Davis
President/CEO
Voltair Engineers

INVESTMENT COMMITTEE

Jay Beyrouiti
Presiden
Monicarla, Ltd.

Mori Hosseini
Chairman/CEO
ICI Homes

MARKETING COMMITTEE

Jesse Biter
President/CEO
Biter Enterprises, LLC.

Sonya Deen
Vice President of Government Relations
JM Family Enterprises, Inc.

Jason Steele
Director of Government Affairs
Smith and Associates

Minutes of a Regular Meeting of the Space Florida Board of Directors

A Regular meeting of the Space Florida Board of Directors was held June 1, 2017 at the DoubleTree by Hilton in Tallahassee.

Board Members Present:

William Dymond
Jesse Biter
Julius Davis
Mori Hosseini
Belinda Keiser
John Rood
Jason Steele

Space Florida Senior Management Present:

Frank DiBello
Howard Haug
Jim Kuzma
Denise Swanson

Agenda

- I. Call to Order and Pledge of Allegiance
- II. Roll Call
- III. Welcome & Introductions
- IV. Public Comments
- V. Business Before the Board
 1. Approval of Minutes
 - a. February 1, 2017
 - b. March 10, 2017
 - c. May 1, 2017
 2. Audit and Accountability Committee Reports
 - a. Interim Financials 3/31/2017
 3. Committee Appointments
 - a. Governance & Compensation Committee
 4. Contracts/Business Development/Project Activities
 - a. Spaceport Strategies, LLC.
 - b. S.O. Witt Associates, LLC.
 - c. FY18 Spaceport Master Plan Amendment
 - d. NASA Orion AA-2 LC 46 Use Agreement
 - e. Launch Complex 46 Upgrades/Ivey's Construction
 - f. FDOT/Economic Development Transportation Fund
 - g. FDOT/SpaceX LC 40 Improvements
 - h. Shuttle Landing Facility Tower Aircraft Communication System Replacement
 - i. Shuttle Landing Facility Fueling
 - j. GKN Aerospace Florida
 - k. Matrix Composites
 - l. JOI Scientific
 - m. Cybersecurity Institute
 - n. Robotics Training Institute
 - o. Firefly Systems
 - p. Made in Space
 - q. United Launch Alliance Sublease Renewal
- VI. President's Report
- VII. Upcoming Events
- VIII. Closing Remarks and Adjournment

A quorum being present, the meeting was called to order at 2:00 p.m. (EST.)

Chairman Bill Dymond called the meeting to order at 2:00 p.m. welcomed Board members and guests. Bill Dymond welcomed and recognized guests, and reminded everyone of the SpaceX Falcon 9 launch scheduled for the evening of June 1.

There was Public Comment from Tom Nocera regarding Beach Tran in Florida.

Business Before the Board

Approval of Minutes

Bill Dymond read Julius Davis' Conflict of Voting from the February 1, 2017 Board of Directors meeting.

Mori Hosseini made a motion to approve the minutes of the February 1, 2017, March 10, 2017 and May 1, 2017 Board of Directors meetings, which was seconded by Jesse Biter, and approved unanimously.

Audit and Accountability Committee Reports

Denise Swanson presented the following:

Space Florida, on behalf of the Audit and Accountability Committee, recommended that the Board approve the issuance of Space Florida's quarterly interim financial statements for the period ended March 31, 2017.

Jesse Biter made a motion to approve the issuance of Space Florida's quarterly interim financial statements for the period ended March 31, 2017, which was seconded by Belinda Keiser, and approved unanimously.

Governance & Compensation Committee

Overview of recent Governance & Compensation Committee meeting. No vote required.

Jesse Biter noted the takeaway and importance of organizational chart, roles being defined and compensation.

Belinda Keiser noted that the thoroughness of the meeting was good.

Contracts/Business Development/Project Activities

Howard Haug and Frank DiBello presented the following action items for Board approval:

Spaceport Strategies, LLC.

Space Florida requested Board approval for management to negotiate and enter contract activities with Spaceport Strategies, LLC., to support Cape Canaveral Spaceport Planning and Development in the amount of up to \$130,560, plus travel, in conjunction with professional services associated with Spaceport Authority Management related activities.

There was discussion and clarification between management and the Board.

Mori Hosseini made a motion to approve Space Florida to negotiate and enter a one year contract with Spaceport Strategies, LLC., to provide detail planning for Cape Canaveral Spaceport Planning and Development efforts in an amount of up to \$130,560, which was seconded by Belinda Keiser, and approved unanimously.

S.O. Witt Associates, LLC.

Space Florida requested Board approval for management to negotiate and enter contract activities with S.O. Witt Associates, LLC., to support Cape Canaveral Spaceport operations support in the amount of up to \$136,000, in conjunction with professional services associated with Spaceport Authority Management related activities.

There was discussion and clarification between management and the Board.

Julius Davis made a motion to approve Space Florida to negotiate and enter contract activities with S.O. Witt and Associates, LLC., to provide support for Cape Canaveral Spaceport operations in the amount of up to \$136,000, which was seconded by Jesse Biter, approved unanimously.

FY18 Spaceport Master Plan Amendment

Space Florida requested Board approval to amend the 2017 Space Florida Cape Canaveral Spaceport Master Plan to include the updates outlined for the Board as Attachment A in the Board Package.

Belinda Keiser made a motion to approve Space Florida to amend the 2017 Space Florida Cape Canaveral Spaceport Master Plan to include updates identified in the chart included in the advanced Board Package, which was seconded by Mori Hosseini, and approved unanimously.

NASA Orion AA-2 LC 46 Use Agreement

Space Florida requested Board approval to negotiate and enter a use agreement with NASA for LC-46 and related facilities for the purposes of preparing for and conducting NASA Orion AA-2 launch activities.

There was clarification from Bill Dymond, noting that Space Florida would act as a launch site operator.

Mori Hosseini made a motion to approve Space Florida to negotiate and enter a use agreement with NASA for the purposes of preparing for and conducting a launch for a reimbursement fee with responsibilities defined before, during and after launch activities as described at LC-46, which was seconded by Jesse Biter, and approved unanimously.

Launch Complex 46 Upgrades/Ivey's Construction

Space Florida requested Board approval to enter a \$1 million agreement with the Florida Department of Transportation for LC-46 infrastructure improvements in support of the NASA AA-2 and anticipated future Minotaur missions. Additionally, Space Florida requested Board approval to enter an agreement with Ivey's Construction in an amount of up to \$1 million for use of the FDOT funds for infrastructure improvements.

Jesse Biter made a motion to approve Space Florida to negotiate and enter a \$1 million agreement with the Florida Department of Transportation as well as approval to negotiate and enter a contract with Ivey's Construction to perform the additional common use upgrades as described, which was seconded by Mori Hosseini, and approved unanimously.

FDOT/Economic Development Transportation Fund

Space Florida requested Board approval to negotiate and enter an Economic Development Transportation Fund agreement in the amount of \$2,750,000 with the Florida Department of Transportation (FDOT) to support Blue Origin and Cape Canaveral Spaceport related transportation improvements as well as follow on perpetual maintenance requirements.

There was discussion between management and the Board.

Jesse Biter made a motion to approve Space Florida to negotiate and enter an Economic Development Transportation Fund agreement in the amount of \$2,750,000 with FDOT which was seconded by Belinda Keiser, and approved unanimously.

FDOT/SpaceX LC 40 Improvements

Space Florida requested Board approval to negotiate and enter project match funding agreements with Florida Department of Transportation (FDOT) and with SpaceX in the amounts of up to \$5 million.

Jesse Biter made a motion to approve Space Florida to negotiate and enter project match funding agreements with FDOT and SpaceX in the amounts of up to \$5 million, which was seconded by Mori Hosseini, and approved unanimously.

Shuttle Landing Facility (SLF) Tower Aircraft Communication System Replacement

Space Florida requested Board approval to negotiate and enter an agreement with the selected contractor for the solicitation associated with the procurement and installation of the air traffic control tower communications system at the Shuttle Landing Facility (SLF) in the amount of \$225,000.

Bill Dymond clarified that this is to replace equipment inherited when Space Florida took over the SLF.

Mori Hosseini made a motion to approve Space Florida to negotiate and enter an agreement with the selected contractor (Wolen, LLC) in the amount of up to \$225,000 for the procurement and installation of the Air Traffic Control Tower communications system, which was seconded by Belinda Keiser, and approved unanimously.

Shuttle Landing Facility (SLF) Fueling

Space Florida requested Board approval to negotiate and enter an agreement with the selected contractor for the solicitation associated with the procurement of a temporary fuel supplier and the provision of temporary on-site fuel storage in conjunction with commercial fueling operations at the SLF. Annual lease costs for two vehicles and initial fuel costs are estimated to be \$250,000.

There was discussion between management and the Board.

Belinda Keiser made a motion to approve Space Florida to negotiate and enter an agreement for one year with three one-year options with Eastern Aviation Fuels in the amount of up to \$250,000 for the leasing of two 5,000 gallon re-fueling vehicles and the initial procurement of 100,000 gallons of fuel for commercial fueling operations at the Shuttle Landing Facility, which was seconded by Mori Hosseini, and approved unanimously.

GKN Aerospace Florida

Space Florida requested Board approval to negotiate and enter conduit debt structured agreements with GKN Aerospace Florida and the selected lender (Credit Agricole) in the amount of \$27,200,000 for manufacturing tooling and equipment for an expected seven-year term.

Jesse Biter made a motion to approve Space Florida to negotiate and enter agreements with GKN Aerospace Florida and the selected lender (Credit Agricole) in the amount of \$27,200,000, which was seconded by Mori Hosseini, and approved unanimously.

Matrix Composites

Space Florida requested Board approval to negotiate and enter conduit debt structured agreements with Matrix Composites and the selected lender (Wells Fargo/Crestmark or Hancock Whitney) in the amount of \$2,400,000 for manufacturing tooling and equipment for an expected four to five-year term.

Jesse Biter made a motion to approve Space Florida to negotiate and enter agreements with Matrix Composites and the selected lender (Wells Fargo/Crestmark or Hancock Whitney) in the amount of \$2,400,000, which was seconded by Belinda Keiser, and approved unanimously.

JOI Scientific

Space Florida requested approval to negotiate and enter agreements with JOI Scientific for a \$1 million bridge loan to facilitate the company's need to accelerate its staff build-up and equipment acquisition.

There was discussion between management and the Board with the determination that any future conversion option associated with this loan would require additional board approval.

Mori Hosseini made a motion to approve Space Florida to negotiate and enter agreements with JOI Scientific for a \$1 million bridge loan, which was seconded by Jesse Biter, and approved unanimously.

Cybersecurity Institute

Space Florida requested Board approval to establish a Cybersecurity Institute with a focus of developing content and techniques to address cybersecurity issues that will materialize relative to space segments and respectively train and/or provide internships for workforce. Initial key metrics for the institute will include: Managing the agenda of space segment common cybersecurity issues to be addressed, development and framing of curriculum material, talent base development and workforce flow, and securing of funding to ensure the effort is a going concern.

There was discussion between management and the board.

Jesse Biter made a motion to approve Space Florida to begin efforts to establish the institute focused on Space Segments Cybersecurity Issues as described and to return to the board within the next several months to present

the specifics as to the participants, the entity charter and the form, and the initial business plan, which was seconded by Belinda Keiser, and approved unanimously.

Robotics Training Institute

Space Florida requested Board approval to establish a Robotics Training Institute to train and educate students on the operation and use of robotics in the production of small satellites in an apprentice program manner. Initial key metrics include the development and framing of curriculum material, talent base development and workforce flow, and securing of funding to ensure the effort is a going concern.

There was discussion between management the board.

Jesse Biter made a motion to approve Space Florida to begin efforts to establish the institute as described and to return to the board within the next several months to present the participants, the entity charter and form an initial business plan, which was seconded by Belinda Keiser, and approved unanimously.

Firefly Systems

Space Florida requested Board approval, in conjunction with prior Board approvals, for ratification for assignment of the Firefly Systems Convertible Note from Space Florida to EOS Launcher in the amount of \$1 million.

There was discussion between management and the board.

Mori Hosseini made a motion to approve Space Florida ratification for sale of the \$1 million note issued by Firefly Systems at face value plus accrued interest, which was seconded by Jesse Biter, and approved unanimously.

Made in Space

Space Florida requested Board approval, in conjunction with prior Board approvals, for ratification of the final terms associated with the \$1 million loan related to Made in Space's advanced manufacturing technologies optic fiber equipment.

Belinda Keiser made a motion to approve Space Florida's ratification of the final terms associated with the \$1 million loan related to Made in Space's loan modification as described, which was seconded by Mori Hosseini, and approved unanimously.

United Launch Alliance Sublease Renewal

Space Florida requested Board approval to extend the United Launch Alliance Sublease Agreement at the Space Florida Camp Blanding Solid Rocket Motor Storage Facility for a renewal term of one three-year term with a base rent of \$447,660 which includes a two percent escalator plus cost reimbursement.

Jesse Biter made a motion to approve Space Florida to extend the United Launch Alliance Sublease Agreement at the Space Florida Camp Blanding Solid Rocket Motor Storage Facility, which was seconded by Mori Hosseini, and approved unanimously.

President's Report

Frank DiBello shared his President's Report, discussing launches and landings for the year and the projected cadence for the remainder of 2017; providing an update on the Space Florida budget and NASA's budget request; giving an update on both OneWeb Satellites and Blue Origin's progress; telling Board members that the first launch from SLC-46 is slated for later this summer; discussing major initiatives for FY18 and the global space economy.

Upcoming events include the August 21, 2017 Board of Directors meeting in Fort Lauderdale, and upcoming SpaceX and United Launch Alliance launches.

Closing Remarks & Adjournment

Bill Dymond thanked the Board for their discussion and involvement.

Bill Dymond adjourned the meeting at 4:12 p.m. (EST)

William Dymond, Jr., Chair

DRAFT

BOARD OF DIRECTORS MEETING

June 1, 2017

I, Frank DiBello, the undersigned President of Space Florida, do certify and declare that the attached is an accurate copy of the Minutes as approved by the Board of Directors of Space Florida in accordance with the Space Florida Governance Policies, and recorded in the minutes of the meeting of the Board of Directors held on June 1, 2017, and not subsequently amended or modified.

Frank A. DiBello, President

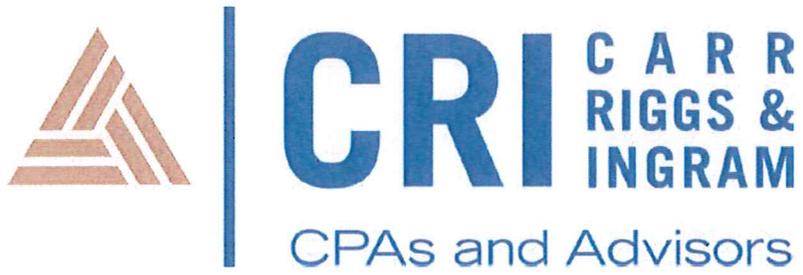
DRAFT

Space Florida
Total Compiled Statement of Revenues and Expenses
The Period Ending June 30, 2017
Unaudited

	In 000's					Committed	Total Actual and Commitments	Budget Remaining
	Total budget	1st Qtr Actual	2nd Qtr Actual	3rd Qtr Actual	4th Qtr Actual			
Operations Revenues								
State Appropriated Revenue, Ops	\$ 10,000	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ -	\$ 10,000	\$ -
Other Revenue	3,176	536	717	895	1,269	-	3,416	(241)
Total Operations Revenues	\$ 13,176	\$ 3,036	\$ 3,217	\$ 3,395	\$ 3,769	\$ -	\$ 13,416	\$ (241)
Operations Expenses								
Salaries & Other Related Costs	\$ 5,246	\$ 1,247	\$ 1,114	\$ 1,095	\$ 1,256	\$ 512	\$ 5,223	\$ 23
Contract & Subcontract Services	3,318	839	729	556	1,101	16	3,240	77
Operating, General & Administrative	1,141	335	177	267	1,878	54	2,710	(1,569)
Utilities & Maintenance	1,529	333	218	241	336	248	1,370	159
Business Recruitment/Investment	1,535	161	43	166	222	16	608	927
Travel & Entertainment	408	79	13	38	120	15	265	143
Total Operations Expenses, no depreciation	\$ 13,176	\$ 2,993	\$ 2,294	\$ 2,362	\$ 4,913	\$ 861	\$ 13,416	\$ (240)
Change in net assets due to Operations	\$ (0)	\$ 43	\$ 923	\$ 1,033	\$ (1,143)	\$ (861)	\$ 0	\$ (0)

Space Florida
Budget
For the Three Month Period
July 1, 2017 to September 30, 2017
In 000's

	<u>Budget</u>
Operations Revenues	
State Appropriated Revenue, Ops	\$ 2,875
Other Revenue	866
Total Operations Revenues	<u>\$ 3,741</u>
Operations Expenses	
Salaries & Other Related Costs	\$ 1,256
Contract & Subcontract Services	906
Operating, General & Administrative	868
Utilities & Maintenance	396
Business Recruitment/Investment	207
Travel & Entertainment	107
Total Operations Expenses, no depreciation	<u>\$ 3,741</u>
Change in net assets due to Operations	<u>\$ (0)</u>



Required Communications



Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940
(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

November 23, 2016

To the Board of Directors
Space Florida

We are pleased to present the results of our audit of the 2016 financial statements of Space Florida for the year ended June 30, 2016.

This report to the Board of Directors summarizes our audit, the report issued and various analyses and observations related to Space Florida's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on Space Florida's 2016 financial statements for the fiscal year ended June 30, 2016. We considered Space Florida's current and emerging needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Board of Directors, expect. We received the full support and assistance of Organization personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This information is intended solely for the use of the Board of Directors and management of Space Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 321.426.3040 or dgoode@cricpa.com.

Very truly yours,

Deborah A. Goode, CPA
Partner
Carr, Riggs & Ingram, LLC

Required Communications

As discussed with management during our planning process and communicated to the Board of Directors in our engagement letter to you dated July 14, 2016, our audit plan represented an approach responsive to the assessment of risk for Space Florida. Specifically, we planned and performed our audit to:

- Perform an audit in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on Space Florida's financial statements for the year ended June 30, 2016. Additionally, we have audited Space Florida's compliance with the types of compliance requirements described in *Chapter 10.550, Rules of the Auditor General* that could have a direct and material effect on each of Space Florida's major state projects for the year ended June 30, 2016.
- Communicate directly with the Board of Directors and management regarding the results of our procedures;
- Address with the Board of Directors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Directors and management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of Space Florida for the year ended June 30, 2016, and have issued our report thereon dated November 23, 2016. Professional standards require that we communicate to you the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Auditor's responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated July 14, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>Required supplementary information, such as management's discussion analysis and schedule of travel, entertainment and incidental expenses is required by general accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.</p> <p>As part of our audit, we considered the internal control of Space Florida, and internal controls related to major state projects and issued an opinion on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have direct and material effect on each state project in accordance with the Single Audit Act Amendments of 1996 and <i>the Florida Single Audit Act, and Chapter 10.550, Rules of the Auditor General</i>. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with the applicable framework. Management, with oversight from those charged with governance, is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>

Required Communications

We have audited the financial statements of Space Florida for the year ended June 30, 2016, and have issued our report thereon dated November 23, 2016. Professional standards require that we communicate to you the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Auditor's responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated July 14, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>Required supplementary information, such as management's discussion analysis and schedule of travel, entertainment and incidental expenses is required by general accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.</p> <p>As part of our audit, we considered the internal control of Space Florida, and internal controls related to major state projects and issued an opinion on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have direct and material effect on each state project in accordance with the Single Audit Act Amendments of 1996 and <i>the Florida Single Audit Act, and Chapter 10.550, Rules of the Auditor General</i>. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with the applicable framework. Management, with oversight from those charged with governance, is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing Space Florida and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor.</i> 	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Space Florida are described in Note 1 to the financial statements.</p> <p>We noted no transactions entered into by Space Florida during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>None.</p>
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>None.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance.</i></p>	None.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p>Corrected misstatements <i>Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.</i></p>	None.
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Space Florida's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
<p>Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Space Florida's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.
<p>Written representations <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Fraud and illegal acts <i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Other information in documents containing audited financial statements <i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have audited the supplemental schedules included in the financial statements. We were not provided with any other documents containing the financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of Space Florida's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board of Directors and management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Capital Assets	Depreciation method	Yes	Assets having an original acquisition cost of at least \$1,000 are capitalized and depreciated. Capital assets are carried at cost when purchased or at fair value when donated. Depreciation is computed for financial statement purposes on a straight line basis over the estimated useful lives of the assets.	We evaluated the key factors and assumptions used to develop the useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.
Investments	Valuation	Yes	Investments are valued at cost, as permitted by the Governmental Accounting Standards Board (GASB) 62 Codification of Account and Financial Report Guidance as the investments are not held for the primary purpose of income or profit, therefore they do not meet the requirements as defined by GASBS 72 Fair Value Measurement to be valued at fair value. Space Florida is allowed to invest in common stock and warrants under Florida Statute 331.305.	We evaluated the key factors and assumptions used to develop the allocation of expenses in determining that they are reasonable in relation to the financial statements taken as a whole.
Impairment on loans receivable	Valuation	Yes	Management reviews each loan and based on the timeliness of payments estimates an allowance.	Space Florida's policies are in accordance with all applicable accounting guidelines.



Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of investments in Note 2 to the financial statement describes the types of investments Space Florida is invested in.

The disclosure of conduit debt in Note 8 to the financial statements describes the limited-obligation debts of Space Florida.

The disclosure of rights and access in Note 13 to the financial statements describes the unique rights and access Space Florida has to use, occupy or develop certain assets affiliated with Florida's space industry.

The disclosure of prototype testing agreements in Note 14 to the financial statements describes the material and unusual nature of the transactions Space Florida is engaging in.

November 23, 2016

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

This representation letter is provided in connection with your audits of the financial statements of Space Florida, which comprise the statement of financial position as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 23, 2016, the following representations made to you during your audits.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 14, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP. There are no component units.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Management Representation Letter - Draft

- 8) We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 9) Guarantees, whether written or oral, under which Space Florida is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of state financial assistance.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 17) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) Space Florida has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities.
- 22) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for

Management Representation Letter - Draft

disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 23) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of state financial assistance.
- 24) Space Florida has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed for the Embraer Engineering & Technology Center.
- 25) Space Florida has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 26) Components of net position (net investment in capital assets; restricted; and unrestricted), are properly classified and, if applicable, approved.
- 27) Investments, derivative instruments, and land and other real estate held by endowments are properly valued, and we do not believe that the stocks and warrants held should be impaired, other than what has already been adjusted.
- 28) Provisions for uncollectible receivables have been properly identified and recorded.
- 29) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 30) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 31) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 32) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 33) We have appropriately disclosed Space Florida's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 34) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 35) With respect to the Schedule of Travel, Entertainment and Incidental Expenses:
 - a) We acknowledge our responsibility for presenting the Schedule of Travel, Entertainment and Incidental Expenses in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the Schedule of Travel, Entertainment, and Incidental Expenses is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Management Representation Letter - Draft

36) With respect to state projects:

- a) We are responsible for understanding and complying with and have complied with the requirements of *Chapter 10.550 Rules of the Florida Auditor General*, including requirements relating to preparation of the schedule of expenditures of State of Florida financial assistance.
- b) We acknowledge our responsibility for presenting the schedule of State of Florida financial assistance in accordance with the requirements of *Chapter 10.550 Rules of the Florida Auditor General*, and we believe the SEFA, including its form and content, is fairly presented. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) We have identified and disclosed to you all of our government programs and related activities subject to *Chapter 10.550 Rules of the Florida Auditor General* and have included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance and state financial assistance.
- d) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our state projects and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major project.
- e) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for state projects that provides reasonable assurance that we are managing our state projects in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our state projects. We believe the internal control system is adequate and is functioning as intended.
- f) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with state agencies or pass-through entities relevant to state projects and related activities.
- g) We have received no requests from a state agency to audit one or more specific projects as a major project.
- h) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in *Chapter 10.550 Rules of the Florida Auditor General*, relating to state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of state projects.
- i) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- j) Amounts claimed or used for matching were determined in accordance with relevant guidelines in *the Florida Single Audit Act*.
- k) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- l) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to state project financial reports and claims for advances and reimbursements.

Management Representation Letter - Draft

- m) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
 - n) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
 - o) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
 - p) State project financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
 - q) The copies of state project financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective agency or pass-through entity, as applicable.
 - r) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of *Chapter 10.550 Rules of the Florida Auditor General*.
 - s) We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
 - t) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
 - u) We have charged costs to state projects in accordance with applicable cost principles.
- 37) Space Florida is in compliance with Florida Statute 218.415, *local government investment policies*, in all respects.

Signature: _____ Signature: _____

Title: _____ Title: _____



**(A Component Unit Of
The State Of Florida)**

FINANCIAL STATEMENTS

**For the Periods Ended September 30, 2016,
June 30, 2016 and September 30, 2015**



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

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Space Florida
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June 30, 2016 and September 30, 2015

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Space Florida
Cape Canaveral, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Space Florida, a component unit of the State of Florida, as of September 30, 2016, June 30, 2016 and September 30, 2015 and three months ended September 30, 2016, and the nine months ended June 30, 2016, and the related notes to the financial statements which collectively comprise the entity's basic financial statements as listed in the table of contents.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Space Florida as of September 30, 2016, June 30, 2016 and September 30, 2015 and the changes in its financial position and its cash flows for three months ended September 30, 2016 and the nine months ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 to 13 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Space Florida's basic financial statements. The schedule of travel, business meals and incidental expenses and the schedule of expenditures of state financial assistance for the year ended September 30, 2016, required by Chapter 10.550 of the Rules of the Auditor General of the State of Florida, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of travel, business meals 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, 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* in considering Space Florida's internal control over financial reporting and compliance.

Cam, Riggs & Ingram, L.L.C.

Melbourne, Florida
June 23, 2017

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Space Florida 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 periods ended September 30, 2016, June 30, 2016, and September 30, 2015

The Space Florida Board of Directors changed the fiscal year end of Space Florida from June 30 to September 30 to align Space Florida's fiscal year end to the quarter after the quarter in which its performance cycle has ended. Accordingly, the accompanying Statement of Net Position is as of September 30, 2016, June 30, 2016 and September 30, 2015. The Statement of Revenues, Expense, and Change in Net Position and the statement of Cash Flows and related notes are prepared for the three months ended September 30, 2016 and the nine months ended June 30, 2016 and do not include a comparative analysis.

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 various funding sources 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 industry within Florida's economic goals through targeted space business retention, expansion, and diversification efforts in addition to providing leadership in innovative educational, research and development and workforce development programs and space related infrastructure development projects. A key competitive advantage for Florida in the market is the multiple year relationships it creates with entities that choose Florida for their base of growth.

As a result of the dynamic nature of Florida's space industry Space Florida has developed a strategic plan 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 (i.e. life sciences/pharmaceuticals, agriculture/climate monitoring, cyber security and robotics, clean energy, adventure tourism, civil protection and crisis management). 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 and utilization of microgravity environments. 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 utilizing its operational budget to focus staff efforts on business development opportunities in these emerging sectors.

Financial Highlights

- The assets of Space Florida exceeded its liabilities for the years ended September 30, 2016, June 30, 2016 and September 30, 2015 by \$103,476,702, \$104,456,708 and \$109,596,912 (net position), respectively. Of this amount, \$28,596,606, \$28,497,152, and \$18,793,604

Space Florida Management's Discussion and Analysis

(unrestricted net position), respectively, may be used to meet Space Florida's ongoing obligations to citizens and creditors.

- Space Florida's total net position decreased by \$980,006 for the three months ended September 30, 2016 and decreased by \$5,140,204 for the nine months ended June 30, 2016.
- Space Florida's state appropriated revenue for operations for the three months ended September 30, 2016 and the nine months ended June 30, 2016 was \$3,259,462 and \$15,600,764 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 position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

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

The statement of revenues, expenses and changes in net position presents information showing how Space Florida's net position changed for the three months ended September 30, 2016 and the nine months ended June 30, 2016. All changes in net position 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 17-21 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 23-42 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 45 of this report.

Space Florida Management's Discussion and Analysis

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial status. Assets exceeded liabilities as of September 30, 2016, June 30, 2016, and September 30, 2015 by \$103,476,702, \$104,456,708, and \$109,596,912, respectively.

The following table reflects the condensed statement of net position.

Space Florida Net position

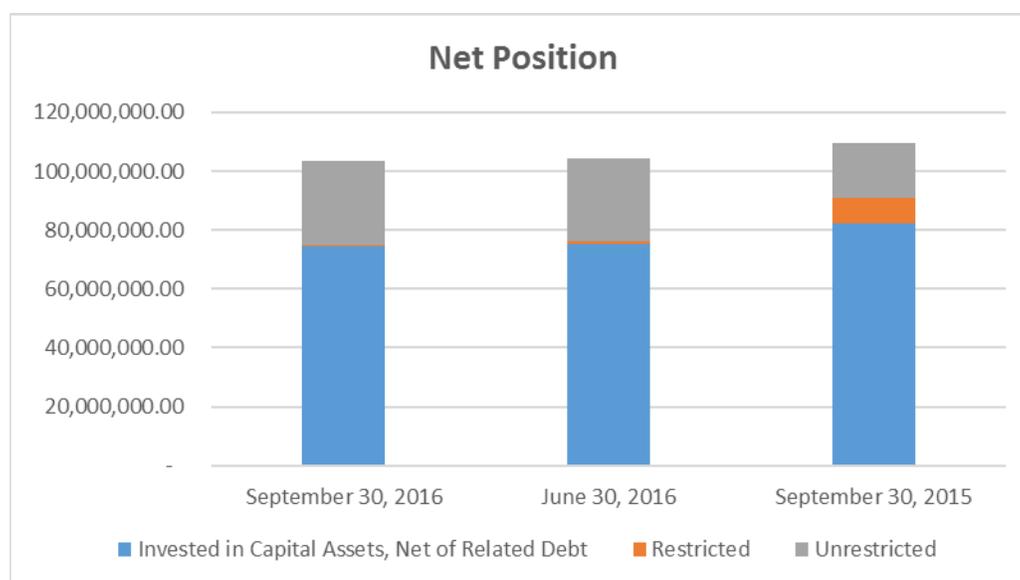
	9/30/16	6/30/16	9/30/15
Cash	\$ 21,685,404	\$ 18,355,195	\$ 13,381,472
Receivables	7,703,635	3,896,498	21,454,504
Investments	4,278,774	4,278,774	4,296,595
Other current assets	1,163,837	1,158,301	1,461,937
Capital assets	90,121,516	91,039,972	99,238,662
Lease receivable	942,148	1,214,837	2,011,833
Prepaid rent	6,026,472	6,122,130	6,409,105
Other assets	4,667,423	4,670,750	4,668,480
Total assets	136,589,209	130,736,457	152,922,588
Accounts payable	1,468,195	614,540	2,120,149
Payable from restricted assets	13,425,052	7,833,204	14,192,545
Notes payable	16,430,554	16,857,807	18,786,485
Deferred rent liability	621,102	552,090	345,057
Other liabilities	1,167,604	422,108	7,881,440
Total liabilities	33,112,507	26,279,749	43,325,676
Net position:			
Invested in capital assets, net of related debt	74,466,595	75,255,337	82,308,438
Restricted	413,501	704,219	8,494,870
Unrestricted	28,596,606	28,497,152	18,793,604
Total net position	\$ 103,476,702	\$ 104,456,708	\$ 109,596,912

The largest portion of Space Florida's net position as of September 30, 2016 (72 percent), as of June 30, 2016 (72 percent) and as of September 30, 2015 (75 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.

The increase in the unrestricted net position as of September 30, 2016 was due to advance payments received on state grant agreements. The decrease in the restricted net position as of September 30, 2016 and 2015 is due to spending of proceeds from a note payable issued in fiscal year 2014, which is restricted for a specific project.

Space Florida Management's Discussion and Analysis

As of September 30, 2016, June 30, 2016, and September 30, 2015, Space Florida was able to report positive balances in all three categories of net position.



The following table shows condensed revenue and expense data:

Space Florida Changes in Net position

	For the three months ended 9/30/16	For the nine months ended 6/30/2016
Operating revenues:		
Fees and charges for services	\$ 940,346	\$ 3,152,434
State appropriated funding	3,259,462	15,600,764
Grant revenue	667,827	1,591,678
Total operating revenue	4,867,635	20,344,876
Non-operating revenues:		
Other	72,026	213,201
Total non-operating revenues	72,026	213,201
Total revenues	4,939,661	20,558,077
Operating expenses:		
Business development activities	2,419,557	15,228,299
Educational research	202,560	260,088
Operations	1,441,272	4,238,829
General, administrative and depreciation	1,731,669	5,553,981
Total operating expenses	5,795,058	25,281,197
Non-operating expenses:		
Total non-operating expenses	124,609	417,084
Total expenses	5,919,667	25,698,281
Change in net position	(980,006)	(5,140,204)
Net position – beginning	104,456,708	109,596,912
Net position – ending	\$ 103,476,702	\$ 104,456,708

Changes in Net Position. The net position balance decreased by \$980,006 and \$5,140,204, for the three months ended September 30, 2016 and the nine months ended June 30, 2016, respectively. For the three months ended September 30, 2016, the decrease in net position consisted of \$927,423 net reduction from operating activity and \$52,583 in net non-operating expenses that included \$72,026 in interest income, less \$124,609 in interest expense. For the nine months ended June 30, 2016, the decreased in net position consisted of \$4,936,321 net reduction from operating activity and \$203,883 in net non-operating expenses that included \$213,201 in interest income, less \$380,369 in interest expense, \$17,821 due to loss on investment, and \$18,894 due to loss on disposal of fixed assets.

Operating revenues totaled \$4,867,635 and \$20,344,876 for the three months ended September 30, 2016 and the nine months ended June 30, 2016, respectively, and were primarily provided by State appropriated funding (67 percent and 77 percent of total operating revenues, respectively) and federal grants (4 percent and 1 percent of total operating revenues, respectively) with the remaining being generated from fees and charges for services and other grant revenues. In addition, Space Florida reported non-operating revenues of \$72,026 and \$213,201 for the 3 months ended September 30, 2016 and the nine months ended June 30, 2016, respectively.

Operating expenses were \$5,795,058 for the three months ended September 30, 2016 and \$25,281,197 for the nine months ended June 30, 2016. Of those totals, 25 percent for the three months ended September 30, 2016 and 17 percent for the nine months ended June 30, 2016 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 \$1,461,715 and \$4,893,610, for the three months ended September 30, 2016 and the nine months ended June 30, 2016, respectively.

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 to accomplish these directives. During the three months ended September 30, 2016 and the nine months ended June 30, 2016, Space Florida expended 42 percent and 60 percent, respectively, of its operating expenditures to create and direct activities and programs that retain, attract and help expand aerospace businesses in Florida.

Capital Asset and Debt Administration

Capital assets. Space Florida's investment in capital assets as of September 30, 2016, June 30, 2016, and September 30, 2015 amounted to \$74,466,595, \$75,255,337, and \$82,308,438, (net of accumulated depreciation and debt), respectively. This investment in capital assets includes buildings, improvements, construction in progress and equipment. The September 30, 2016 balance in Construction in Progress (CIP) includes an increase of about 10% (\$323k) from the June 30, 2016 balance due to increased spending at Launch Complex 46. In year ended June 30, 2016 approximately \$5,000,000 of Construction in Progress (CIP) related to capital improvements at Launch Complex 25 were conveyed as an in-kind improvement the Strategic Weapons Systems Ashore program of the Department of the Navy. In the year ended September 30, 2016, approximately \$323,912 of Construction in Progress (CIP) was added to the capital asset balance. In the year ended September 30, 2015 the Exploration Park infrastructure improvements were

Space Florida Management's Discussion and Analysis

conveyed in lieu of rent to NASA for an in-kind rent credit. Construction in progress as of September 30, 2016 primarily consisted of capital improvements to Launch Complex 46 and project Expanse. Construction in progress as of September 30, 2015 primarily consisted of capital improvements to Launch Complex 25 and Launch Complex 46.

Space Florida Capital Assets (net of depreciation)

	9/30/16	6/30/16	9/30/15
SRMU storage facility	\$ 4,301,274	\$ 4,409,357	\$ 4,726,514
RLV hangar and office space	1,118,284	1,142,868	1,190,382
Orion facility	23,828,836	24,134,929	25,053,208
Space Life Sciences Lab	17,077,914	17,197,023	18,001,069
Launch Complex 36	1,698,300	1,715,226	1,771,648
Engineering & Technology Center	15,676,714	15,831,415	16,377,486
Commercial Crew Processing Facility	17,721,450	17,895,190	18,546,704
Other Facilities	479,269	514,357	362,307
Furniture, equipment and vehicles	4,857,142	5,161,186	6,420,008
Construction in progress	3,362,333	3,038,421	6,789,336
Total	\$ 90,121,516	\$ 91,039,972	\$ 99,238,662

Additional information on Space Florida capital assets can be found in Note 6 on pages 31 to 32 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 can be found in Notes 5 and 8 on pages 30 and 34 to 35, 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 40 to 41 of this report.

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 40 of this report.

Space Florida Management's Discussion and Analysis

Rights and Access. 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's 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." Additional information can be found in Note 13 on page 38 to 40 of this report.

Long-term debt. Space Florida entered into a loan agreement with a bank in the amount of \$17,500,000. The note was scheduled to mature on January 30, 2015, however, the note converted on January 30, 2015, to a 3 year repayment term, amortized over a 20 year term. The interest rate is equal to the Note Rate that was in effect on the date immediately preceding the Conversion Date. Additional information on this can be found in Note 7 on page 33 of this report.

Space Florida Total Outstanding Debt

	9/30/16	6/30/16	9/30/15
Notes payable	\$ 16,430,554	\$ 16,857,807	\$ 18,786,485

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, 505 Odyssey Way, Exploration Park, FL 32953.

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BASIC FINANCIAL STATEMENTS

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Space Florida
Statements of Net Position

	9/30/2016	6/30/2016	9/30/2015
ASSETS			
Current assets			
Cash:			
Unrestricted	\$ 11,191,440	\$ 12,455,139	\$ 8,824,872
Restricted	10,493,964	5,900,056	4,556,600
Accounts receivable, net of allowance for uncollectible accounts of \$113,204 , \$113,204 and \$124,437, at September 30, 2016, June 30, 2016 and September 30, 2015, respectively	1,080,890	633,070	724,659
Due from other governments:			
Unrestricted	2,666,221	71,334	2,156,347
Restricted	3,344,589	2,637,367	18,130,815
Accrued interest receivable on loans receivable, current	597,555	541,669	434,533
Investments	4,278,774	4,278,774	4,296,595
Loans receivable, net of allowance of \$994,999, \$0, and \$0 as of September 30, 2016, June 30, 2016 and September 30, 2015, respectively	3,516,823	515,148	507,407
Leases receivable	839,909	1,112,598	1,101,570
Prepaid rent, current	382,633	382,633	382,633
Other current assets	1,163,837	1,158,301	1,461,937
Total current assets	39,556,635	29,686,089	42,577,968
Noncurrent assets			
Capital assets:			
Construction in progress	3,362,333	3,038,421	6,789,336
Other capital assets, net of accumulated depreciation:			
SRMU storage facility	4,301,274	4,409,357	4,726,514
Orion facility	23,828,836	24,134,929	25,053,208
Reusable Launch Vehicle (RLV) hangar and office space	1,118,284	1,142,868	1,190,382
Space Life Sciences Lab	17,077,914	17,197,023	18,001,069
Furniture, equipment and vehicles	4,857,142	5,161,186	6,420,008
Launch Complex 36	1,698,300	1,715,226	1,771,648
Commercial Crew and Cargo Processing Facility	17,721,450	17,895,190	18,546,704
Embraer Engineering & Technology Center	15,676,714	15,831,415	16,377,486
Other facility	479,269	514,357	362,307
Accrued interest receivable on loans receivable, noncurrent	14,380	13,058	8,150
Loans receivable, net of allowance of \$442,491, \$1,437,490, and \$1,440,741 at September 30, 2016, June 30, 2016, and September 30, 2015, respectively	1,148,800	4,153,802	4,158,973
Leases receivable	102,239	102,239	910,263
Prepaid rent, noncurrent	5,643,839	5,739,497	6,026,472
Other noncurrent assets	1,800	1,800	2,100
Total noncurrent assets	97,032,574	101,050,368	110,344,620
Total assets	136,589,209	130,736,457	152,922,588

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

Space Florida
Statements of Net Position (Continued)

	9/30/2016	6/30/2016	9/30/2015
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	1,468,195	614,540	2,120,149
Salaries payable	131,084	62,839	99,921
Unearned revenue	69,502	79,949	7,538,971
Accrued retirement payable	-	712	-
Compensated absences	74,713	95,456	89,691
Deposits	786,254	82,829	49,157
Payable from restricted assets:			
Accounts payable	9,655,786	5,662,647	7,350,163
Unearned revenue	3,653,765	2,055,056	6,726,881
Notes payable	1,506,320	1,756,747	2,355,931
Total current liabilities	17,345,619	10,410,775	26,330,864
Noncurrent liabilities			
Deferred rent liability	621,102	552,090	345,057
Compensated absences	106,051	100,323	103,700
Notes payable	14,924,234	15,101,060	16,430,554
Payable from restricted assets:			
Unearned revenue	115,501	115,501	115,501
Total noncurrent liabilities	15,766,888	15,868,974	16,994,812
Total liabilities	33,112,507	26,279,749	43,325,676
NET POSITION			
Net Investment in capital assets	74,466,595	75,255,337	82,308,438
Restricted for:			
Special purpose	413,501	704,219	8,494,870
Unrestricted	28,596,606	28,497,152	18,793,604
Total net position	\$ 103,476,702	\$ 104,456,708	\$ 109,596,912

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

Space Florida

Statements of Revenues, Expenses, and Changes in Net Position

	For the three months ended 9/30/2016	For the nine months ended 6/30/2016
Operating revenues		
Fees and charges for services	\$ 940,346	\$ 3,152,434
State appropriated funding	3,259,462	15,600,764
Other grant revenue - operating	489,911	1,426,439
Federal grant revenue	177,916	165,239
Total operating revenues	4,867,635	20,344,876
Operating expenses		
Business development	2,419,557	15,228,299
Educational research	202,560	260,088
Operations	1,441,272	4,238,829
General and administrative	269,954	660,371
Depreciation	1,461,715	4,893,610
Total operating expenses	5,795,058	25,281,197
Income (Loss) from operations	(927,423)	(4,936,321)
Non-operating revenues (expenses)		
Interest income	72,026	213,201
Interest expense	(124,609)	(380,369)
Loss on investment	-	(17,821)
Loss on disposal of capital assets	-	(18,894)
Total non-operating revenues (expenses)	(52,583)	(203,883)
Change in net position	(980,006)	(5,140,204)
Net position, beginning of year	104,456,708	109,596,912
Net position, end of year	\$ 103,476,702	\$ 104,456,708

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

Space Florida Statements of Cash Flows

	For the three months ended 9/30/2016	For the nine months ended 6/30/2016
Cash flows from operating activities:		
Cash received from customers and users	\$ 1,138,743	\$ 3,162,176
Cash paid to suppliers for goods and services	26,784	(12,783,851)
Cash payments to employees for services	(3,291,493)	(3,361,405)
Operating grant receipts	2,920,664	7,146,608
Net cash provided by (used in) operating activities	794,698	(5,836,472)
Cash flows from capital and related financing activities:		
Capital related grant receipts	(707,222)	15,493,448
Purchase and construction of capital assets	3,669,227	(3,387,878)
Principal paid on note payable	(427,253)	(1,928,678)
Cash received on leases receivable	272,689	800,471
Net cash provided by capital and related financing activities	2,807,441	10,977,363
Cash flows from investing activities:		
Interest received	72,026	213,201
Interest paid	(124,609)	(380,369)
Loss on capital asset	(219,347)	-
Net cash used in investing activities	(271,930)	(167,168)
Net increase in cash	3,330,209	4,973,723
Cash, beginning of year	18,355,195	13,381,470
Cash, end of year	\$ 21,685,404	\$ 18,355,193

Cash for the purposes of this statement consists of the following at September 30, and June 30, 2016:

Cash	\$ 11,191,440	\$ 12,455,139
Restricted cash	10,493,964	5,900,056
Total cash	\$ 21,685,404	\$ 18,355,193

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

Space Florida
Statements of Cash Flows (continued)

	For the three months ended 9/30/2016	For the nine months ended 6/30/2016
Reconciliation of Income (loss) from operations to net cash provided by operating activities:		
Income (loss) from operations	\$ (927,423)	\$ (4,936,321)
Adjustment to reconcile Income (loss) from operations to net cash provided by operating activities		
Depreciation expense	1,461,715	4,893,610
Bad debt (recovery) expense	-	(10,139)
In-kind payment of rent	-	286,975
In-kind donation of improvements to Air Force	-	4,986,548
(Increase) decrease in assets:		
Accounts receivable	(447,820)	98,253
Due from other governments	(2,594,887)	2,085,013
Accrued interest receivable on loans receivable	(57,208)	(112,044)
Loans receivable	3,327	(2,570)
Prepaid rent	95,658	-
Other assets	(5,536)	303,936
Increase (decrease) in liabilities:		
Accounts payable	853,655	(1,505,609)
Compensated absences	(15,015)	2,388
Salaries payable	68,245	(37,082)
Unearned revenue	1,588,262	(12,130,847)
Deposits	703,425	33,672
Accrued retirement payable	(712)	712
Rent payable	69,012	207,033
Total adjustments	1,722,121	(900,151)
Net cash provided by (used in) operating activities	\$ 794,698	\$ (5,836,472)

SUMMARY OF NON-CASH INVESTING ACTIVITIES:

During the nine months ended June 30, 2016, Space Florida had an impairment of investments for \$17,821 (See Note 1 summary of significant accounting policies.)

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

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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 a component unit 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.

Space Florida is governed by a 13-member independent board of directors that consists of the members appointed to the board of directors of Enterprise Florida, Inc., by the Governor, the President of the Senate, and the Speaker of the House of Representatives pursuant to s. 288.901(5)(a)7. and the Governor, who shall serve ex officio, or who may appoint a designee to serve, as the chair and a voting member of the board.

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 affect an entity. The Statement of Net Position 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 Position summarize those resources received and those consumed during the current period. The statement 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 accounts for all of its activities within one enterprise fund.

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 principles 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.

Investments

Investments are valued at cost, as permitted by Governmental Accounting Standards Board Standard (GASBS) 62 Codification of Account and Financial Report Guidance, as the investments are not held for the primary purpose of income or profit and therefore do not meet the requirements as defined by GASBS 72 Fair Value Measurement to be measured at fair value. Space Florida is allowed to invest in common stock and warrants under Florida Statute 331.305. Management has reviewed the investments and determined there is an impairment of \$17,821 \$17,821 and \$0 (see custodial credit risk in Note 2) as of September 30, 2016, June 30, 2016, and September 30, 2015, respectively.

Accounts Receivable

The receivables are funds due to Space Florida from customers. Space Florida charges interest based on contract terms. An allowance of \$113,204, \$113,204, and \$124,437 was recorded at September 30, 2016, June 30, 2016 and September 30, 2015, respectively, based on management's estimate of the collectability of outstanding accounts receivable balances.

Loans Receivable

Consists of loans due from several companies (See Note 4). Management reviews each loan and based on timeliness of payments estimates an allowance.

Other Assets

Consists of deposits, receivables from capital leases and prepaid expenses.

Restricted Assets

Consists primarily of cash received and unexpended in connection with specific State-funded projects.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accrued Compensated Absences

Space Florida's reporting of accrued compensated absences has been recorded in accordance with GASB Section C60. A liability is accrued for an employee's right to receive compensation for future absences when certain conditions are met.

Unearned Revenues

Include amounts invoiced or collected before the revenue recognition criteria are met and includes advanced payments received from grantor agencies that are unearned and recognized over the periods to which the payments relate.

Deposits

Consist of amounts held for tenants of leased facilities, and escrow for a loan receivable.

Net Position

Net position is restricted when constraints placed on funds are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. At September 30, 2016, June 30, 2016 and September 30, 2015, restricted net position consists primarily of cash received and unexpended in connection with specific State-funded projects and unearned revenue. 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.

NOTE 2: CASH AND INVESTMENTS

At September 30, 2016, June 30, 2016 and September 30, 2015, the carrying amount of Space Florida’s deposits was \$21,685,404, \$18,355,195 and \$13,381,472, respectively, and the bank balance was \$21,826,187, \$19,837,005, and \$13,495,620, respectively. These deposits consist of demand accounts that are covered by the federal depository insurance corporation (FDIC) up to \$250,000. 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 September 30, 2016, June 30, 2016 and September 30, 2015, consists of the following:

	9/30/2016	6/30/2016	9/30/2015
Demand deposits	\$ 21,685,404	\$ 18,355,195	\$ 13,381,472
Classified as:			
Cash	\$ 11,191,440	\$ 12,455,139	\$ 8,824,872
Restricted cash	10,493,964	5,900,056	4,556,600
	\$ 21,685,404	\$ 18,355,195	\$ 13,381,472

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 Statutes 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 \$500,000 at September 30, 2016, June 30, 2016 and September 30, 2015, respectively, that is denominated in English Pounds. Florida Statute 331.305 authorizes Space Florida to purchase interests in foreign corporations.

Concentration of credit risk

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

NOTE 2: CASH AND INVESTMENTS (Continued)

At September 30, 2016, June 30, 2016 and September 30, 2015, Space Florida had the following investments that were greater than 5% of their total investments:

	9/30/2016	6/30/2016	9/30/2015
Cella Acquisition Limited – 578,442 shares of common stock	\$ 500,000	\$ 500,000	\$ 500,000
Instant Eyes, Inc. - 20,000 shares of common stock	249,650	249,650	249,650
Instant Eyes, Inc. - warrants to purchase 20,000 shares of common stock	249,650	249,650	249,650
Rivian Automotive, Inc. - warrants to purchase 300 shares of common stock	1,498,000	1,498,000	1,498,000
Speed of Need Solutions, Inc. - 25,000 shares of common stock	500,000	500,000	500,000
Speed of Need Solutions, Inc. - warrants to purchase 25,000 shares of common stock	699,300	699,300	699,300
XO Market Holding - 55.555 shares of series A preferred stock	499,995	499,995	499,995
Total	\$ 4,196,595	\$ 4,196,595	\$ 4,196,595

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 \$4,278,774, \$4,278,774, and \$4,296,595 as of September 30, 2016, June 30, 2016 and September 30, 2015, respectively, are for securities uninsured, unregistered and are being held by the individual companies that have issued the stock. Space Florida incurred an impairment loss of \$0 and \$17,821 during the three months ended September 30, 2016, and the nine months ended June 30, 2016, respectively.

NOTE 3: DUE FROM OTHER GOVERNMENTS

Due from other governments is comprised of \$6,010,810, \$2,708,701, and \$20,287,162 of State appropriations for operations at September 30, 2016, June 30, 2016 and September 30, 2015, respectively. At September 30, 2016, June 30, 2016 and September 30, 2015, \$3,344,589, \$2,637,367, and \$18,130,815 was restricted for infrastructure and operations, respectively.

NOTE 4: LOANS RECEIVABLE

Space Florida entered into several loan agreements with a company (Company 1) 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 a balloon payment due in 2022. Accrued interest at September 30, 2016, June 30, 2016 and September 30, 2015 was \$8,377, \$4,788 and \$22,737, respectively.

During the years ended September 30, 2016, June 30, 2016 and September 30, 2015, interest payments were made in accordance with the terms of the agreement. Space Florida's management has estimated a portion of the receivable will most likely not be collected and has recorded an allowance of \$287,200, at September 30, 2016, June 30, 2016 and September 30, 2015.

Space Florida entered into a loan agreement with another company (Company 2) and loaned them \$1,000,000 on May 24, 2012. Company 2 made two other draws for \$1,000,000 each during May 2013. The principal and interest is due in one payment on May 30, 2017. Space Florida can elect to have the interest paid to them in the form of common stock of Company 2. The interest accrues at a rate of 4%. Accrued interest at September 30, 2016, June 30, 2016 and September 30, 2015 was \$461,699, \$430,576 and \$340,493, respectively. As additional compensation for the loan, Space Florida will receive warrants in the future based upon when Company 2's first flight occurs. As of September 30, 2016, Space Florida did not have any warrants. Due to delays in Company 2's first flight, Space Florida's management has estimated a portion of the receivable will most likely not be collected and has recorded a total allowance of \$990,000 at September 30, 2016, June 30, 2016 and September 30, 2015.

Space Florida entered into a loan agreement with another company (Company 3) and loaned them \$25,000 on March 26, 2014. The 40 month term loan, amortizing over 30 months beginning January 1, 2015, accrues interest at 2% of the total loan amount with a late fee of 10%. The loan did not require any payments for a period of 10 months from the execution date, followed by a period of 6 months of interest only payments, followed by full installment payments through the maturity date. Accrued interest at September 30, 2016, June 30, 2016 and September 30, 2015 was \$0. A final balloon payment of any remaining principal, interest, unpaid costs of collection and late charges shall be due at the end of month 40. During the periods ended September 30, 2016 and June 30, 2016, interest and principal payments were made in accordance with the terms of the agreement. Space Florida's management has estimated a portion of the receivable will most likely not be collected and has recorded an allowance of \$4,999 at September 30, 2016, June 30, 2016 and \$8,250 as of September 30, 2015.

Space Florida entered into a loan agreement with another company (Company 4) and loaned them \$1,000,000 on June 29, 2015. The 24 month term loan, accrues interest at 6% per year. The loan requires a payment at the end of the term of \$1,000,000 plus interest. Space Florida, at the end of the term, may convert any unpaid principal and accrued interest into common shares. Accrued interest at September 30, 2016, June 30, 2016 and September 30, 2015 was

NOTE 4: LOANS RECEIVABLE (Continued)

\$75,616, \$62,006 and \$15,452, respectively. Space Florida's management has estimated that the receivable will most likely be collected and has recorded no allowance at September 20, 2016, June 30, 2016 or September 30, 2015. There is collateral of equipment and land pledged for the loan.

Space Florida entered into a loan with another company (Company 5) and loaned them \$500,000 on January 9, 2015. The 24 month term loan accrues interest at 6% per year. The loan requires payment at the end of the term of \$500,000 plus interest. Space Florida, at the end of the term, may convert any unpaid principal and accrued interest into nonassessable shares of common stock. If qualified financing occurs prior to the term of the loan, then any unpaid principal and accrued interest will automatically convert into nonassessable shares of preferred stock. Accrued interest at September 30, 2016, June 30, 2016, and September 30, 2015 was \$51,863, \$44,301 and \$21,781, respectively. Space Florida's management has estimated that the receivable will most likely be collected and has recorded no allowance at September 30, 2016, June 30, 2016 or September 30, 2015.

Space Florida entered into a loan with another company (Company 6) and loaned them \$155,291. The 10 year term loan accrues interest at 4% per year. The loan requires payment at the end of the term of \$155,291 plus interest. Space Florida, at the end of the term, may convert any unpaid principal and accrued interest into common shares. Accrued interest at September 30, 2016, June 30, 2016 and September 30, 2015 was \$14,380, \$13,056, and \$8,150. Space Florida's management has estimated that the receivable will most likely not be collected and has recorded an allowance of \$155,291 at September 30, 2016, June 30, 2016 and September 30, 2015.

Loans receivable are as follows at September 30, 2016, June 30, 2016 and September 30, 2015:

Name	9/30/2016		6/30/2016		9/30/2015	
	Principal	Accrued Interest	Principal	Accrued Interest	Principal	Accrued Interest
Company 1	\$ 1,436,001	\$ 8,377	\$ 1,436,001	\$ 4,788	\$ 1,436,001	\$ 22,737
Company 2	3,000,000	461,699	3,000,000	430,576	3,000,000	340,493
Company 3	11,821	-	15,148	-	15,829	-
Company 4	1,000,000	75,616	1,000,000	62,006	1,000,000	15,452
Company 5	500,000	51,863	500,000	44,301	500,000	21,781
Company 6	155,291	14,380	155,291	13,056	155,291	8,150
Less allowance	(1,437,490)	-	(1,437,490)	-	(1,440,741)	-
Totals	\$ 4,665,623	\$ 611,935	\$ 4,668,950	\$ 554,727	\$ 4,666,380	\$ 408,613

NOTE 5: LEASES RECEIVABLE

Direct Financing Lease

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 a note payable used to purchase the vehicles. The same equipment is collateral for the note payable (See Note 7). There were no executory costs, unguaranteed residual values, deferred initial direct costs or unearned income.

The future lease payments are as follows:

Year ending September 30,	Principal	Interest	Total
2017	\$ 808,024	\$ 10,604	\$ 818,628

Operating Lease

Space Florida entered into an operating lease for equipment beginning December 11, 2013. Space Florida recognizes revenue on a straight line basis and recorded a lease receivable of \$134,124, \$141,665, and \$155,573 on the Statement of Net Position at September 30, 2016, June 30, 2016, and September 30, 2015, respectively. The customer has the option to purchase the equipment at the end of the 24 month lease for a price equal to the outstanding and unpaid equipment cost as determined by the lessor plus all applicable interest and taxes. As of September 30, 2016, June 30, 2016 and September 30, 2015, \$1,066,735 in equipment had been leased by the lessee. The lease has a 2% interest rate. Invoicing began January 2016 and the first invoice included all accrued interest. As of September 30, 2016, June 30, 2016 and September 30, 2015, there was \$0, \$0 and \$34,071, respectively, of accrued interest. The final monthly payment amount was determined to be \$9,987 in January 2016. There were no executory costs, unguaranteed residual values, deferred initial direct costs or unearned income.

The future operating lease cash payments are as follows:

Year ending September 30,	Principal	Interest	Total
2017	\$ 99,614	\$ 19,143	\$ 118,757
2018	101,624	17,134	118,758
2019	103,675	15,084	118,759
Totals	\$ 304,913	\$ 51,361	\$ 356,274

Space Florida
Notes to Financial Statements

NOTE 6: CAPITAL ASSETS

Capital asset activity for the three months ended September 30, 2016 was as follows:

	2016			Balance September 30, 2016
	Balance June 30, 2016	Increases	Decreases	
Capital assets, not being depreciated				
Construction in progress	\$ 3,038,421	\$ 323,912	\$ -	\$ 3,362,333
Total capital assets not being depreciated	3,038,421	323,912	-	3,362,333
Capital assets, being depreciated:				
SRMU storage facility	8,614,373	-	-	8,614,373
RLV hangar and office space	4,696,984	-	-	4,696,984
Orion facility	32,032,069	-	-	32,032,069
Space Life Sciences Lab	26,929,092	148,839	-	27,077,931
Launch complex 36	1,848,280	-	-	1,848,280
EETC – Melbourne Airport	16,707,735	-	-	16,707,735
C3PF	18,763,941	-	-	18,763,941
Furniture, equipment and vehicles	10,091,836	70,508	-	10,162,344
Other facilities	888,949	-	-	888,949
Total capital assets being depreciated	120,573,259	219,347	-	120,792,606
Less accumulated depreciation for:				
SRMU storage facility	(4,205,016)	(108,083)	-	(4,313,099)
RLV hangar and office space	(3,554,116)	(24,584)	-	(3,578,700)
Orion facility	(7,897,140)	(306,093)	-	(8,203,233)
Space Life Sciences Lab	(9,732,069)	(267,948)	-	(10,000,017)
Launch complex 36	(133,054)	(16,926)	-	(149,980)
EETC – Melbourne Airport	(876,320)	(154,701)	-	(1,031,021)
C3PF	(868,751)	(173,740)	-	(1,042,491)
Furniture, equipment and vehicles	(4,930,650)	(374,550)	-	(5,305,200)
Other facilities	(374,592)	(35,090)	-	(409,682)
Total accumulated depreciation	(32,571,708)	(1,461,715)	-	(34,033,423)
Total capital assets, being depreciated, net	88,001,551	(1,242,368)	-	86,759,183
Capital assets, net	\$ 91,039,972	\$ (918,456)	\$ -	\$ 90,121,516

Space Florida
Notes to Financial Statements

NOTE 6: CAPITAL ASSETS (Continued)

Capital asset activity for the nine months ended June 30, 2016 was as follows:

	2016			
	Balance September 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated				
Construction in progress	\$ 6,789,336	\$ 1,733,974	\$ (5,484,889)	\$ 3,038,421
Total capital assets not being depreciated	6,789,336	1,733,974	(5,484,889)	3,038,421
Capital assets, being depreciated:				
SRMU storage facility	8,606,893	7,480	-	8,614,373
RLV hangar and office space	4,696,984	-	-	4,696,984
Orion facility	32,032,069	-	-	32,032,069
Space Life Sciences Lab	26,929,092	-	-	26,929,092
Launch complex 36	1,848,280	-	-	1,848,280
EETC – Melbourne Airport	16,699,562	8,173	-	16,707,735
C3PF	18,763,941	-	-	18,763,941
Furniture, equipment and vehicles	9,958,908	210,971	(78,043)	10,091,836
Other facilities	650,841	238,108	-	888,949
Total capital assets being depreciated	120,186,570	464,732	(78,043)	120,573,259
Less accumulated depreciation for:				
SRMU storage facility	(3,880,379)	(324,637)	-	(4,205,016)
RLV hangar and office space	(3,506,602)	(47,514)	-	(3,554,116)
Orion facility	(6,978,861)	(918,279)	-	(7,897,140)
Space Life Sciences Lab	(8,928,023)	(804,046)	-	(9,732,069)
Launch complex 36	(76,632)	(56,422)	-	(133,054)
EETC – Melbourne Airport	(322,076)	(554,244)	-	(876,320)
C3PF	(217,237)	(651,514)	-	(868,751)
Furniture, equipment and vehicles	(3,538,900)	(1,450,899)	59,149	(4,930,650)
Other facilities	(288,534)	(86,058)	-	(374,592)
Total accumulated depreciation	(27,737,244)	(4,893,613)	59,149	(32,571,708)
Total capital assets, being depreciated, net	92,449,326	(4,428,881)	(18,894)	88,001,551
Capital assets, net	\$ 99,238,662	\$ (2,694,907)	\$ (5,503,783)	\$ 91,039,972

NOTE 7: LONG-TERM DEBT

Notes 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 principal and interest payments of \$90,959 are due on the 30th of every month beginning July 30, 2012. The outstanding principal balance as of September 30, 2016, June 30, 2016 and September 30, 2015 was \$808,024, \$1,073,172 and \$1,856,260, respectively. Payment of principal and interest on the note payable is secured by collateral of equipment leased in a direct financing lease (in Note 5).

On October 31, 2013, Space Florida entered into a loan agreement with a bank in the amount of \$17,500,000. The note was to mature on January 30, 2015; however, it was converted, on January 30, 2015, to a note payable with a 3 year repayment term. The note was issued with a floating rate of interest equal to 72% of the one month London Interbank Offered Rate (LIBOR) plus 250 basis points (2.50%). The note shall bear interest on each February 1, May 1, August 1 and November 1, commencing February 1, 2014. The outstanding principal balance as of September 30, 2016, June 30, 2016 and September 30, 2015 was \$15,622,530, \$15,784,635 and \$16,930,225, respectively. Payment of principal and interest is to be paid by pledged future appropriations from the State through the State Economic Enhancement and Development Fund. Annual principal and interest payments on the note payable are expected to require approximately 6% of appropriations for the year ending September 30, 2016 and September 30, 2017, and will require approximately 87% of appropriations for the year ending September 30, 2018.

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

Year ending September 30,	Principal	Interest	Total
2017	\$ 1,506,320	\$ 412,064	\$ 1,918,384
2018	14,924,234	129,258	15,053,492
Totals	\$ 16,430,554	\$ 541,322	\$ 16,971,876

NOTE 7: LONG-TERM DEBT (Continued)

Changes In Long-Term Liabilities

Long-term liability activity for the years ended September 30, 2016, June 30, 2016, and September 30, 2015, was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance September 30, 2016	Due Within One Year
Notes payable	\$ 16,857,807	\$ -	\$ (427,253)	\$ 16,430,554	\$ 1,506,320
Compensated absences	195,779	50,824	(65,839)	180,764	74,713
Total	\$ 17,053,586	\$ 50,824	\$ (493,092)	\$ 16,611,318	\$ 1,581,033

	Balance September 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Notes payable	\$ 18,786,485	\$ -	\$ (1,928,678)	\$ 16,857,807	\$ 1,756,747
Compensated absences	193,391	85,808	(83,420)	195,779	95,456
Total	\$ 18,979,876	\$ 85,808	\$ (2,012,098)	\$ 17,053,586	\$ 2,711,310

NOTE 8: CONDUIT DEBT

As defined by GASBC Section C65, 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. GASBC 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 position of its basic financial statements.

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 for 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

NOTE 8: CONDUIT DEBT (Continued)

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 September 30, 2016, June 30, 2016 and September 30, 2015, respectively, the outstanding balance was approximately \$44,939,061, \$46,950,718 and \$52,881,010, respectively. Lease revenue received on the Atlas V facility is being used to pay off the debt, and debt payments are made by United Launch Alliance.

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.

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 Space Florida assisted financing on this project was approximately \$5,000,000.

During March 2012, Space Florida entered into an agreement to assist with financing related to the construction of the Space Shuttle Atlantis Exhibit. This was 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 of funding provided. The total amount of assisted financing was \$62,500,000. As of September 30, 2016, June 30, 2016 and September 30, 2015, the outstanding balance on Space Florida assisted financing was approximately \$40,861,787, \$43,439,755 and \$49,947,486, respectively. The debt will be repaid from a percentage of ticket sale revenues at the Kennedy Space Center Visitor Complex, and debt payments are made by the Kennedy Space Center Visitor Complex.

During December 2014, Space Florida entered into a multi-phase agreement with a company to provide with financing related to the sale and leaseback of personal and real property for up to \$250,000,000. In March 2016, the company elected to exercise Phase 2 of the project but no transactions relating to Phase 2 occurred during fiscal year ended September 30, 2016. As of September 30, 2016, June 30, 2016 and September 30, 2015 under Phase 1, the outstanding balance on Space Florida assisted financing was \$17,714,889, \$17,618,698 and \$2,435,109, respectively. The debt will be repaid with proceeds from the lease of the personal property. The loan is collateralized by the lease.

NOTE 9: OPERATING LEASES

On November 7, 2012, Space Florida entered into an operating lease agreement with the Melbourne Airport Authority for the right to sublease facilities. The term of the lease is for 360 months with an option to extend this lease for up to 4 additional terms of 5 years. The lease began in August 2014. During the three months ended September 30, 2016 and the nine months ended June 30, 2016, Space Florida recorded a lease expense of \$28,926 and \$86,777, respectively. The future minimum lease payment is \$115,703 each year through November 7, 2042.

On September 18, 2014, Space Florida signed a sublease with a company for period of 20 years. The tenant is responsible for maintaining, operating, and improvements of the facilities. During the three months ended September 30, 2016 and the nine months ended June 30, 2016, Space Florida recorded lease revenue of \$28,926 and \$86,777, respectively. The future minimum rental income is \$115,703 each year through November 7, 2042.

NOTE 10: SRMU STORAGE FACILITY 4351

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 May 31, 2017, and may be extended for up to three additional three year periods. However, the tenant may terminate the lease with a 90-day written notice. During the three months ended September 30, 2016 and the nine months ended June 30, 2016, Space Florida recorded lease revenue of \$168,855 and \$474,850, respectively.

The SRMU storage facility was constructed on land owned by the State of Florida Armory Board. The annual land use fee for the three and nine months of September 30, 2016 and June 30, 2016 is approximately \$70,401 and \$207,570, respectively, and is payable by Space Florida in monthly installments of approximately \$23,467. The future minimum lease payments are \$189,353 through May 31, 2017.

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 Cod. Section 1400, *Reporting 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 was \$4,301,274, \$4,409,357 and \$4,726,514 as of September 30, 2016, June 30, 2016 and September 30, 2015, respectively. However, management believes the current tenant will continue to renew the lease. Accordingly, no impairment loss has been recorded as of September 30, 2016, June 30, 2016 or September 30, 2015.

NOTE 11: COMMERCIAL CREW AND CARGO PROCESSING FACILITY

On July 19, 2011, Space Florida entered into a use lease agreement with NASA's John F. Kennedy Space Center for the right to use the Commercial Crew and Cargo Processing Facility "C3PF" f/k/a/ Orbiter Processing Facility 3 "OPF-3", Space Shuttle Main Engine Processing Facility, K6-0696 building, and the processing Control Center. Space Florida will need to fund an escrow account for the demolition, which is estimated to be \$4,850,000 by October 6, 2016; however, Space Florida requested that NASA waive the specific establishment and funding of the Escrow Account Requirement.

On April 1, 2015, Space Florida entered into a sub use agreement with a Company to lease the C3PF and Processing Control Center. The lease currently terminates in December 31, 2021 with an option to extend for up to two additional terms of three years, but shall not extend beyond the user permit term expiration date of June 1, 2027. During the three months ended September 30, 2016 and the nine months ended June 30, 2016, Space Florida recorded administrative fee revenue of \$0 and \$580,022, respectively. The future minimum administrative fees are \$580,022 each year through June 30, 2021.

During the three months ended September 30, 2016 and the nine months ended June 30, 2016, Space Florida recorded operations and maintenance expenses related to the C3PF facility of \$0 and \$507,718, respectively. The facility is sub-licensed to a company that is responsible for all of the operations and maintenance costs of the facilities.

NOTE 12: SPACE LIFE SCIENCES LAB 4351

Space Florida leases the Space Life Sciences Lab (SLSL) to NASA and other lessees under lease agreements that end between September 30, 2014 and February 29, 2016. The net carrying value of the facility at September 30, 2015, June 30, 2016 and September 30, 2015 was \$17,077,914, \$17,197,023 and \$18,001,069, respectively. During the three months ended September 30, 2016 and the nine months ended June 30, 2016, Space Florida recorded lease and service revenue of \$177,598 and \$438,257, respectively. NASA was one of the tenants in the building leasing a lab for approximately \$65,000 a month, but they terminated their lease in January 2015. As part of the use agreement since NASA was no longer the primary tenant Space Florida had to pay rent of \$18,550 and \$43,283 for the three months ended September 30, 2016 and the nine months ended June 30, 2016.

During the three and nine months ended September 30, 2016 and June 30, 2016, Space Florida recorded operations and maintenance expenses, including rent, related to the SLSL facility of \$779,543 and \$2,075,039, respectively. Space Florida collects maintenance fees from all but one tenant, which is included in lease revenue, as part of their lease agreements.

Space Florida will collect future minimum lease revenue of approximately \$523,164 and \$199,564 for the years ending September 30, 2017 and 2018, respectively.

NOTE 13: RIGHTS AND ACCESS

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. Rental fees are \$453,440 per year beginning July 1, 2014, when Phase 1 is available to be utilized. Beginning on January 1, 2039 the rent expense shall escalate on the anniversary using the consumer price index or, if greater, shall be 5% of gross revenues derived from subleases in phase 1. There were no cash lease payments initially required under the lease agreement. Space Florida made capital improvements during the first three years of the use agreement and upon completion of the improvements, NASA accepted the improvements in lieu of \$6,887,396 future rent payments. The net book value of the assets transferred was \$7,703,600. The difference between the asset transferred and the improvements in lieu of payments of \$816,204 is recorded in fiscal year 2015 as in-kind donations to NASA and is included in general and administrative expense on the Statement of Revenues, Expenses, and Changes in Net Position. There is \$382,633 of prepaid rent current as of September 30, 2016, June 30, 2016 and September 30, 2015, and \$5,643,839, \$5,739,497, and \$6,026,472 of prepaid rent noncurrent, as of September 30, 2016, June 30, 2016 and September 30, 2015, respectively, which will be applied to rent expense through 2032. The prepaid rent was accepted by NASA for rent covering 18 years; therefore, it is allocated evenly across the 18 years and \$382,633 is applied annually. The rent expense is being expensed evenly over the life of the lease. During the three months ended September 30, 2016 and the nine months ended June 30, 2016, the straight-line rent expense was \$164,670 and \$494,008, respectively. The difference between the annual rent expense and the prepaid rent applied results in a cumulative deferred rent liability of \$621,102, and \$552,090 as of September 30, 2016 and June 30, 2016, respectively. Space Florida will make cash payments totaling \$40,580,340 for the use lease agreement, and will begin making payments in 2032.

During December 2015, Space Florida signed an amendment with NASA's John F. Kennedy Space Center to exercise the option to lease exploration park phase 2 for sixty years from the commencement date in exchange for in-kind rent and non-monetary considerations. The commencement date of exploration park phase 2 will begin when Space Florida is granted a right to possess and utilize its leasehold interest. Additionally, during May 2016, Space Florida signed a sublease agreement with a company whereby the company will pay rental payments equal to Space Florida's obligation upon commencement of the lease. Additional construction in phase 2 will result in additional in-kind credits toward future cash payments referenced above.

NOTE 13: RIGHTS AND ACCESS (Continued)

Area 57 - East

During August 2015, Space Florida was granted license (right to use) to Area 57 – East at Cape Canaveral Air Force Station from the Secretary of the Air Force for a period of five years retroactively beginning in March 2014 and ending in February 2019. Space Florida shall pay all direct costs associated with the use of the facility. Additionally, Space Florida will need to fund the demolition, which is estimated to be \$100,000. Additionally, during March 2016, Space Florida signed a sublease agreement with a company whereby the company will pay rental payments of \$16,763 per month, and all costs to operate the Area 57 facilities, with a three percent annual escalator through January 31, 2019 with renewal options through 2025. During the three and nine months ended September 30, 2016 and June 30, 2016, Space Florida recorded operations and maintenance expenses, related to Area 57 of \$5,845 and \$5,274, respectively.

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 2014 and ending November 2019 with a one year extension. 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 36 has been subleased to a customer that is responsible for operating costs of the facility.

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, which was extended to September 2019. 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 launch complex that is capable of supporting 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.

NOTE 13: RIGHTS AND ACCESS (Continued)

Shuttle Landing Facility

On June 23, 2015, Space Florida entered into a 30 year agreement with NASA's John F. Kennedy Space Center for the management, development, improvement, operation, and sustainment of the Shuttle Landing Facility to support Government and commercial users engaged in horizontal space launch and recovery, aerospace vehicle flight testing and operations, and mission-related or otherwise compatible aviation. Space Florida will provide, at no cost to NASA, flight operations services associated with landings and take-offs of NASA aircraft at a value of \$45,045 per year with a three percent annual escalator.

Additional Minor Rights and Access

Space Florida has been granted several additional minor licenses or rights to use for real property by either the Secretary of the Air Force or NASA's John F. Kennedy Space Center. These rights, which are deemed immaterial in total, are transferred to third parties who are responsible for all related requirements. However, access rights are retained by Space Florida for inspection purposes to ensure contract compliance. All rights have terms ranging from one to five years with limited option to extend.

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. The vehicles have been completed as of June 30, 2014, and the lease commenced on September 30, 2014. The vehicle is being leased back to Seller 1 at \$100 per year for 10 years. Seller 1 has an option to purchase the vehicle at 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.

NOTE 14: PROTOTYPE TESTING AGREEMENTS (Continued)

Also, in March 2011, Space Florida entered into an agreement to purchase a hydrogen fueled vehicle prototype from Seller 2 for \$1,200,000, for the purpose of testing the technology and capabilities of the vehicle 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 vehicle prototype from a third party (Seller 3) for \$500,000, for the purpose of testing the technology and capabilities of the vehicle prototype. A sales lease back began in February 2013. 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 September 30, 2016, June 30, 2016 and September 30, 2016, the warrants and common stock are recorded in investments, and the receivables for the capital leases are included in other 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.

All employees of Space Florida are eligible to participate in the Plan immediately. Participants vest at 100% upon entering the Plan and retirement eligibility 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 three months ended September 30, 2016 and the nine months ended June 30, 2016 were \$141,035 and \$372,570, respectively, and represented 15% of total eligible employee gross compensation for each period.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Commitments

Contract commitments at September 30, 2016 was \$46,342,066 and related to the design and construction for Launch Complex 36, Exploration Park, and Launch Complex 41 and certain other consulting agreements.

NOTE 16: COMMITMENTS AND CONTINGENCIES (Continued)

Economic Dependency

Space Florida received approximately 67% and 77% of its total revenues from State legislative appropriations and grants during the three months ended September 30, 2016 and the nine months ended June 30, 2016 , 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.

NOTE 17: RISK MANAGEMENT

Space Florida purchases commercial insurance for worker’s compensation, health and property insurance for their major capital assets. Therefore all risks of loss are fully insured.

NOTE 18: FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Certain pension issues
- Other post employment benefits
- Tax abatement disclosures
- Blending certain component units

Space Florida is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

NOTE 19: RECLASSIFICATION

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 20: SUBSEQUENT EVENTS

In February 2017, Space Florida sold a loan receivable from Company 4 for \$1,098,137 to another investor. In February 2017, the loan receivable from Company 5 was converted into 1,200,000 shares of preferred stock.

SUPPLEMENTARY INFORMATION

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Space Florida

Schedule of Travel, Business Meals and Incidental Expenses

<i>For the year ended September 30,</i>	2016
Domestic:	
Travel and incidental (1)	\$ 171,387
Business meals	47,174
Total domestic	218,561
 Foreign:	
Travel and incidental (1)	48,511
Business meals	1,190
Total foreign	49,701
Total	\$ 268,262

(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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Space Florida, as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise Space Florida's basic financial statements, and have issued our report thereon dated June 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Space Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Space Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Space Florida's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
June 23, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPEDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY CHAPTER 10.550, RULES OF THE FLORIDA AUDITOR GENERAL

The Board of Directors
Space Florida

Report on Compliance for Each Major State Project

We have audited Space Florida's compliance with the types of compliance requirements described in *Chapter 10.550, Rules of the Auditor General* that could have a direct and material effect on each of Space Florida's major state projects for the year ended September 30, 2016. Space Florida's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, contracts and grants applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Space Florida's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards, Chapter 10.550, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major state project. However, our audit does not provide a legal determination of Space Florida's compliance.

Opinion on Each Major State Project

In our opinion, Space Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of Space Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Space Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with 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 State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Cary Riggs & Ingram, L.L.C.

Melbourne, Florida

June 23, 2017

Space Florida
Schedule of Findings and Questioned Costs
For the year ended September 30, 2016

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

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

State Projects

Internal control over major 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 State projects: Unmodified

Any audit findings disclosed that are required to be Reported in accordance with Chapter 10.550? ___ yes X no

Identification of major state projects:

<u>State CSFA Numbers</u>	<u>State Project or Cluster 2016</u>
40.040	Space Florida
55.037	Spaceport Improvement Program

Dollar threshold used to distinguish between type A and B programs was \$618,370 for major state projects.

Space Florida
Schedule of Findings and Questioned Costs (continued)
For the year ended September 30, 2016

Section II—Financial Statement Findings

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 State financial assistance projects.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

Space Florida

Schedule of Expenditures of State Financial Assistance
For the year ended September 30, 2016

State Agency Pass-through entity, State Project	CSFA Number	Contract/Grant Number	Expenditures	Transfer to Subrecipients
State Programs*				
Florida Department of Economic Opportunity				
Direct Projects, Space Florida				
Funding & Program Agreement, Israel and Space Tourism	40.040	SB-14-008	\$ 164,000	\$ -
Aerospace Industry Financing Project	40.040	SB-14-011	1,125,366	-
Funding & Program Agreement, Israel Funding & Program Agreement	40.040	SB-16-009	1,000,000	-
Space Tourism	40.040	SB-16-010	1,649,472	-
Aerospace Industry Financing Project	40.040	SB-16-011	4,460,691	-
Funding & Program Agreement	40.040	SB-17-008	9,782,586	-
Funding & Program Agreement	40.040	SB-17-011	481,506	-
Total CSFA number 40.040			18,663,621	-
Total Florida Department of Economic Opportunity			18,663,621	-
Florida Department of Transportation				
Direct Projects				
Aviation Development Grants	55.004	FM/#430124-1-94-03	580,196	-
Aviation Development Grants	55.004	FM# 430124-4-94-01	190,347	190,347
Aviation Development Grants	55.004	FM# 430254-1-14-01	202,514	-
Aviation Development Grants	55.004	FM# 435320-2-94-01	498,491	498,491
Spaceport Improvement Program	55.037	FM/#430254-1-12-01	2,145	-
Spaceport Improvement Program	55.037	FM# 430254-1-14-02	75,149	-
Spaceport Improvement Program	55.037	FM# 435257-1-14-01	66,896	-
Spaceport Improvement Program	55.037	FM# 435320-1-94-01	246,536	246,536
Spaceport Improvement Program	55.037	FM# 435322-1-94-01 & FM # 434862-1-94-01	86,468	-
Total Florida Department of Transportation			1,948,742	935,374
Total Expenditures of State Financial Assistance			\$ 20,612,363	\$ 935,374

Note A - Significant Accounting Policies:

The Schedule of Expenditures of State Assistance is a summary of Space Florida's state assistance programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Board of Directors
Space Florida

Report on the Financial Statements

We have audited the financial statements of Space Florida as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 23, 2017.

Auditors' Responsibility

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, and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

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 for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accounts' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 23, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(l)(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.

Official Title and Legal Authority

Section 10.554(l)(i)4, 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. There are no component units.

Financial Conditions

Section 10.554(l)(i)5.a., and 10.556(7) Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not Space Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), 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.

Annual Financial Report

Section 10.554(l)(i)5.b., and 10.556(7) Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for Space Florida for the fiscal year ended September 30, 2016, 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 September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., 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 had none.

Section 10.554(l)(i)3., Rules of the Auditor General, requires that we address noncompliance with 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, which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Cary Riggs & Ingram, L.L.C.

Melbourne, Florida
June 23, 2017



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

The Board of Directors
Space Florida

We have examined Space Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for Space Florida's compliance with those requirements. Our responsibility is to express an opinion on Space Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Space Florida's compliance with specified requirements.

In our opinion, Space Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
June 23, 2017



**Space Florida Board of Director Meeting
August 21, 2017
Contracts for Approval**

1. **Department of Economic Opportunity (DEO):** Space Florida requests approval for management to negotiate and enter contract activities with the Department of Economic Opportunity (DEO) in the amount of Nineteen Million Five Hundred Thousand Dollars (\$19,500,000), in conjunction with the following performance agreements for the period of July 1, 2017 through June 30, 2018:

SF Operations	\$11,500,000
Florida/Israel Aerospace/Space Industry Development	\$ 1,000,000
SF Aerospace Industry Financing	\$ 7,000,000

2. **2017 Florida-Israeli Aerospace Research & Development Program:** Space Florida requests approval for contract activities in the amount of up to One Million Sixty-Five Thousand Dollars (\$1,065,000) for the 4th year Florida-Israel Aerospace Research & Development Program Awards to the five (5) selected proposal awardees up to the amounts indicated as follows:

MicrogRx	\$200,000
Harris Corporation	\$250,000
SynergyWerks Aerospace	\$115,000
HeuRobotics:	\$250,000
Semplastics, Inc.:	\$250,000

3. **Ivey's Construction at Launch Complex 46:** Space Florida requests approval to amend the agreement with Ivey's Construction in the amount of up to Five Hundred Thousand Dollars (\$500,000) for additional general use infrastructure upgrades at Launch Complex 46 in conjunction with the anticipated August 2017 Orbital ATK Mission.

4. **Space Florida Facility and Property Management:** Space Florida requests approval for management negotiations and related contract activities in the amount of up to Seven Million Dollars (\$7,000,000) for Fiscal Year 2018 in conjunction with premise fees, operations, maintenance, utilities, insurance, service commodities, facility and property management needs at Exploration Park, Space Life Sciences Lab, Landing, Launch and Storage Facilities/Premises. Service commodity providers are as follows: Ensco, SC Jones, Brevard Achievement Center, CSS-Dynamac, Washington Consulting Group, NASA-KSC, 45th Space Wing, Department of Military Affairs, Florida Municipal Insurance Trust, Envision Information and Technology (d/b/a CMIT Solutions), and Eastern Aviation Fuels.

Additionally, Space Florida requests approval for negotiations and contract activities with Tenant Subleases and related Tenant needs associated with the Space Life Sciences Lab (SLSL) Premises at market terms for Fiscal Year 2018.



5. **Service Provider Policy and Utility Access at Exploration Park:** Space Florida requests the board approve the following Policy to facilitate access of commercial utilities, commodities and communication services to the Tenants, Users, and Lessees located at Exploration Park, and the Landing and Launch Facilities under Space Florida management: Policy – Uniquely benefitted customers shall provide cost recovery through franchise fee or direct assessment for utility, commodity and communication needs at the Cape Canaveral Spaceport.

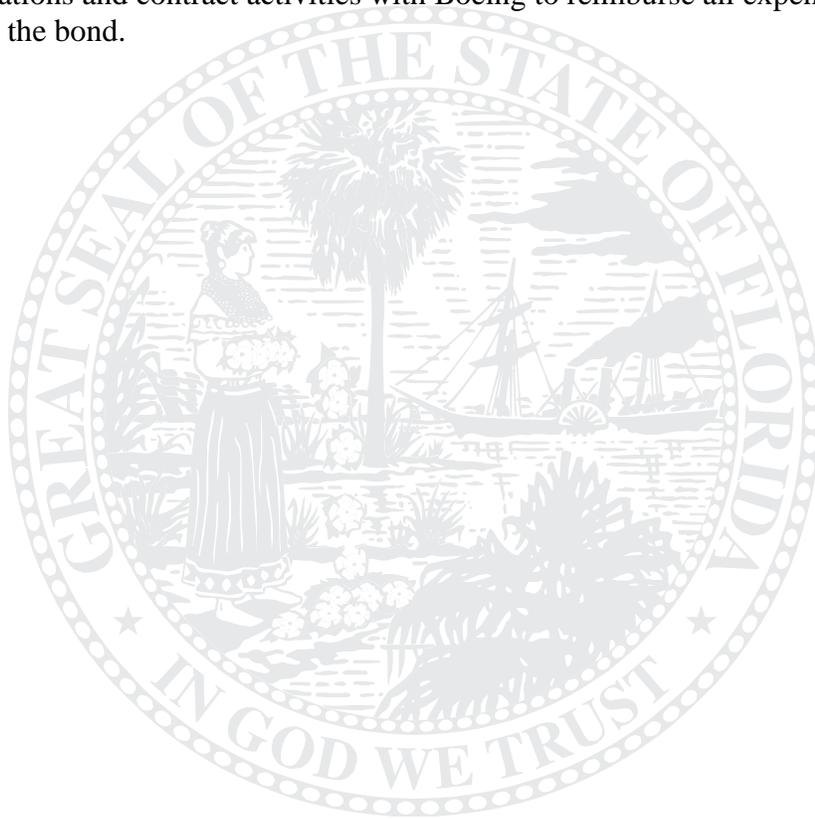
Space Florida requests approval for management negotiations and contract activities in the amount of up to Two Hundred Ninety-Six Thousand Dollars (\$296,000) with Florida Power and Light and Florida City Gas for utility access to Exploration Park Phase One and Two.

6. **University of Central Florida's Florida Space Grant Consortium:** Space Florida requests board approval for management negotiations and contract activities in the amount of One Hundred Thousand Dollars (\$100,000) for sponsorship of the 2017-2018 Florida Space Research Program (FSRP) with the University of Central Florida's Florida Space Grant Consortium.
7. **Florida Venture Forum:** Space Florida requests approval in the amount of One Hundred Fifty Thousand Dollars (\$150,000) for sponsorship of three capital acceleration program awards in conjunction with an MOU with The Florida Venture Forum for two events in November 2017 and one event in January of 2018.
8. **FDOT Economic Development Transportation Project:** Space Florida requests approval for management negotiations and contract activities with AECOM, NASA and the United States Air Force (USAF) in conjunction with Cape Canaveral Spaceport transportation improvements for initial design, permitting, and work order support in the amount of up to Two Hundred Seventy-Five Thousand Dollars (\$275,000) for the EDTF Project.
9. **FDOT Planning & Engineering:** Space Florida requests approval for management negotiations and contract activities in the amount of up to Three Hundred Fifty-Six Thousand Dollars (\$356,000) with AECOM, BRPH and RS&H for planning and engineering services.
10. **Matrix Composites/Hancock Whitney:** Space Florida requests approval for the authorizing resolution in conjunction with conduit financing agreements for Matrix Composites in the amount of up to Two Million Seven Hundred Forty-Seven Thousand Dollars (\$2,747,000) with the Lender Hancock Whitney. Additionally, Space Florida requests approval for negotiations and contract activities for a loan with Matrix Composites associated with this project in the amount of Two Hundred Fifty Thousand Dollars (\$250,000).



11. **GKN Holdings/Credit Agricole:** Space Florida requests approval for the authorizing resolution in conjunction with conduit financing agreements for GKN Holdings in the amount of up to Twenty-Seven Million Two Hundred Thousand Dollars (\$27,200,000) with the Lender Credit Agricole.

12. **Renewable Performance Bond-OPF3:** Space Florida requests approval for negotiations and contract activities associated with a first renewable performance bond with Berkley Surety Group arranged by Wells Fargo Insurance Services for approximately Five Million Dollars (\$5,000,000) designating NASA-KSC as the potential benefiting entity at an annual estimated cost of approximately Fifty Thousand Dollars (\$50,000). Additionally, Space Florida requests approval for negotiations and contract activities with Boeing to reimburse all expenses incurred to secure the bond.



RESOLUTION #27

RESOLUTION

of the

**SPACE FLORIDA
BOARD OF DIRECTORS**

regarding

**\$27,200,000 Equipment Financing for
GKN Aerospace Florida, Inc.**

***BE IT RESOLVED BY THE BOARD OF DIRECTORS OF
SPACE FLORIDA:***

Section 1. Authority for this Resolution. This resolution is adopted pursuant to Chapter 331, Part II, Florida Statutes, Chapter 189, Florida Statutes, Constitution of the State of Florida, and other applicable provisions of law (collectively, the “Act”).

Section 2. Definitions. Words and phrases in this resolution have the following meanings:

“Bank” means Credit Agricole Corporate and Investment Bank, in its capacity as lender under the Loan Agreement, and its successors and assigns.

“Chairman” means the Chairman of the Board of Directors of Space Florida or, in his or her absence or inability to act, any other member of the Board of Directors of Space Florida.

“Equipment Lease” means that certain lease agreement to be negotiated and entered into by Space Florida, as lessor, and GKN, as lessee, under which GKN will lease equipment from time to time for use in the Project.

“Equipment-Lease Revenues” means all revenues received by Space Florida from GKN under the Equipment Lease, net of (i) payment of reimbursements owed to Space Florida under the Equipment Lease, (ii) payments of administrative charges owed to Space Florida under the Equipment Lease, and (iii) other amounts, if any, not available under the Equipment Lease for servicing debt on the Note.

“GKN” means GKN Aerospace Florida, Inc., a Delaware Corporation authorized to do business in Florida and an affiliate of the Guarantor.

“Guarantor” means GKN Holdings, PLC, a British company and parent of GKN.

“Guaranty Agreement” means the guaranty agreement to be executed by the Guarantor and delivered to the Bank, as the same may be amended and restated from time to time.

“Loan Agreement” means the agreement for a term loan to be negotiated and executed by Space Florida and the Bank.

“Loan Amount” means the amount or amounts to be borrowed by Space Florida under the Loan Agreement, not to exceed, in the aggregate, \$27,200,000.

“Note” means the Space Florida Lease-Revenue Promissory Note (“Project Gondola”) to be executed by Space Florida in connection with the Loan Agreement.

“Officer” means the President/CEO, the Treasurer, or the Chief Financial Officer of Space Florida.

“Pledged Funds” means collectively (i) the Equipment-Lease Revenues, (ii) all funds on deposit from time to time with the Bank under the Loan Agreement (including all investment securities and deposits thereunder), and (iii) all investment earnings on any such funds.

“Project” means GKN’s proposed location and expansion of its business activities to a new manufacturing facility in or near Panama City Beach, Florida.

Section 3. Findings. It is hereby determined and declared by the Board of Directors that:

A. GKN has requested Space Florida to purchase high-value equipment and tooling and to lease it to GKN for its use in connection with the Project.

B. In exchange, GKN has committed to (i) invest approximately \$55 million in the Project and (ii) create 170 new, full-time jobs, with average annual wages of \$63,000.

C. Space Florida has determined that (i) the Project will constitute a “project” within the meaning of the Act, (ii) GKN is a supply-chain contractor, primarily serving contractors involved in national defense work, (iii) the proposed expansion of its aviation-supply business in Florida will support the promotion of defense-related aerospace business development, which satisfies the purposes and duties for which Space Florida was established under Section 331.3051 of Florida Statutes, and (iv) the Project will also assist in Space Florida’s mission of (a) fostering a business climate for the state to be a global leader in aerospace and aviation research, investment, and commerce and (b) creating high-value business and jobs in the state.

D. The Note and the Loan Agreement are expressly authorized by Section 331.337, Florida Statutes, and do not constitute an issuance of revenue bonds or other bonds for purposes of Subsection 331.305(2) of Florida Statutes.

E. A negotiated sale of the Note is required and necessary and is in the best interest of Space Florida for the following reasons:

(i) the Note will be a special and limited obligation of Space Florida payable solely from the Equipment-Lease Revenues;

(ii) the cost of issuance of the Note, which must be borne directly or indirectly by GKN, would most likely be greater if the Note is sold at public sale by competitive bids than if the Note is sold at negotiated sale;

(iii) there is no basis, considering prevailing market conditions, to expect that a sale of the Note by competitive bids would be more favorable than a negotiated sale;

(iv) because prevailing market conditions are uncertain, it is desirable to sell the Note at a predetermined price; and

(v) debt obligations having the characteristics of the Note are typically sold at negotiated sale under these market conditions.

F. The Note and the interest thereon shall not be deemed to constitute either a general debt, liability or obligation of Space Florida or the State of Florida or any other political subdivision thereof, or a pledge of the faith and credit of Space Florida or the State of Florida or any other political subdivision thereof, but shall be payable solely from the revenues provided therefor and the collateral of GKN provided with respect thereto. Space Florida is not obligated to pay the Note or the interest thereon except from the Equipment-Lease Revenues, and neither the faith and credit of Space Florida nor the faith and credit or taxing power of the State of Florida or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Note. Space Florida has no taxing power.

Section 4. Authorization of Loan Transaction.

A. Pursuant to its authority under Section 331.337, Florida Statutes, the Board approves negotiation, execution, and delivery by Space Florida of the Note and the Loan Agreement subject to the following:

1. The principal amount or amounts shall not exceed, in the aggregate, \$27,200,000.00;
2. The interest rate or rates on the Note shall not exceed a fixed rate of 5% per annum or a variable rate of 5% per annum;
3. The source of payment by Space Florida, and the only funds pledged by Space Florida as security for the payment, shall be the Equipment-Lease Revenues and such revenues, if any, received from time to time by Space Florida and expressly earmarked or designated for that purpose;

4. The lender shall be the Bank, unless determined otherwise by the President of Space Florida;
5. The note shall mature and be payable in full no later than the seventh anniversary of the date on which the Note is issued; and
6. The proceeds of the Note, net of the costs of the closing, shall be used solely to fund costs of the Project;

B. The Chairman and an Officer or Officers are authorized and directed to negotiate, execute and deliver the Equipment Lease, the Loan Agreement, and the Note with such additional terms and provisions as they deem necessary or useful, consistent with the parameters in subsection A.

C. The Chairman and Officers are authorized and directed (i) to prepare, negotiate, execute, and deliver such other notices, agreements, certifications, and instruments, including security agreements, liens and related filings, and (ii) take all other actions as they deem necessary or useful to consummate and carry out the transaction authorized by this resolution.

Section 5. Severability. If any provision of this resolution shall be held illegal or unenforceable in any context, the holding shall not affect other provisions herein or render other provisions invalid or unenforceable. To that end, this resolution is declared to be severable.

Section 6. Applicable Provisions of Law. This resolution shall be governed by and construed in accordance with the laws of the State of Florida.

Section 7. Superseding Clause. All resolutions or parts thereof in conflict herewith are hereby superseded.

Section 8. Effective Date. This resolution shall take effect immediately upon its adoption.

APPROVED this ___ day of _____, 2017.

SPACE FLORIDA BOARD OF DIRECTORS

By: _____
William T. Dymond, Jr., Chairman
Board of Directors

ATTEST:

By: _____

RESOLUTION #27

RESOLUTION

of the

**SPACE FLORIDA
BOARD OF DIRECTORS**

regarding

**\$27,200,000 Equipment Financing for
GKN Aerospace Florida, Inc.**

***BE IT RESOLVED BY THE BOARD OF DIRECTORS OF
SPACE FLORIDA:***

Section 1. Authority for this Resolution. This resolution is adopted pursuant to Chapter 331, Part II, Florida Statutes, Chapter 189, Florida Statutes, Constitution of the State of Florida, and other applicable provisions of law (collectively, the “Act”).

Section 2. Definitions. Words and phrases in this resolution have the following meanings:

“Bank” means Credit Agricole Corporate and Investment Bank, in its capacity as lender under the Loan Agreement, and its successors and assigns.

“Chairman” means the Chairman of the Board of Directors of Space Florida or, in his or her absence or inability to act, any other member of the Board of Directors of Space Florida.

“Equipment Lease” means that certain lease agreement to be negotiated and entered into by Space Florida, as lessor, and GKN, as lessee, under which GKN will lease equipment from time to time for use in the Project.

“Equipment-Lease Revenues” means all revenues received by Space Florida from GKN under the Equipment Lease, net of (i) payment of reimbursements owed to Space Florida under the Equipment Lease, (ii) payments of administrative charges owed to Space Florida under the Equipment Lease, and (iii) other amounts, if any, not available under the Equipment Lease for servicing debt on the Note.

“GKN” means GKN Aerospace Florida, Inc., a Delaware Corporation authorized to do business in Florida and an affiliate of the Guarantor.

“Guarantor” means GKN Holdings, PLC, a British company and parent of GKN.

“Guaranty Agreement” means the guaranty agreement to be executed by the Guarantor and delivered to the Bank, as the same may be amended and restated from time to time.

“Loan Agreement” means the agreement for a term loan to be negotiated and executed by Space Florida and the Bank.

“Loan Amount” means the amount or amounts to be borrowed by Space Florida under the Loan Agreement, not to exceed, in the aggregate, \$27,200,000.

“Note” means the Space Florida Lease-Revenue Promissory Note (“Project Gondola”) to be executed by Space Florida in connection with the Loan Agreement.

“Officer” means the President/CEO, the Treasurer, or the Chief Financial Officer of Space Florida.

“Pledged Funds” means collectively (i) the Equipment-Lease Revenues, (ii) all funds on deposit from time to time with the Bank under the Loan Agreement (including all investment securities and deposits thereunder), and (iii) all investment earnings on any such funds.

“Project” means GKN’s proposed location and expansion of its business activities to a new manufacturing facility in or near Panama City Beach, Florida.

Section 3. Findings. It is hereby determined and declared by the Board of Directors that:

A. GKN has requested Space Florida to purchase high-value equipment and tooling and to lease it to GKN for its use in connection with the Project.

B. In exchange, GKN has committed to (i) invest approximately \$55 million in the Project and (ii) create 170 new, full-time jobs, with average annual wages of \$63,000.

C. Space Florida has determined that (i) the Project will constitute a “project” within the meaning of the Act, (ii) GKN is a supply-chain contractor, primarily serving contractors involved in national defense work, (iii) the proposed expansion of its aviation-supply business in Florida will support the promotion of defense-related aerospace business development, which satisfies the purposes and duties for which Space Florida was established under Section 331.3051 of Florida Statutes, and (iv) the Project will also assist in Space Florida’s mission of (a) fostering a business climate for the state to be a global leader in aerospace and aviation research, investment, and commerce and (b) creating high-value business and jobs in the state.

D. The Note and the Loan Agreement are expressly authorized by Section 331.337, Florida Statutes, and do not constitute an issuance of revenue bonds or other bonds for purposes of Subsection 331.305(2) of Florida Statutes.

E. A negotiated sale of the Note is required and necessary and is in the best interest of Space Florida for the following reasons:

(i) the Note will be a special and limited obligation of Space Florida payable solely from the Equipment-Lease Revenues;

(ii) the cost of issuance of the Note, which must be borne directly or indirectly by GKN, would most likely be greater if the Note is sold at public sale by competitive bids than if the Note is sold at negotiated sale;

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F. The Note and the interest thereon shall not be deemed to constitute either a general debt, liability or obligation of Space Florida or the State of Florida or any other political subdivision thereof, or a pledge of the faith and credit of Space Florida or the State of Florida or any other political subdivision thereof, but shall be payable solely from the revenues provided therefor and the collateral of GKN provided with respect thereto. Space Florida is not obligated to pay the Note or the interest thereon except from the Equipment-Lease Revenues, and neither the faith and credit of Space Florida nor the faith and credit or taxing power of the State of Florida or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Note. Space Florida has no taxing power.

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4. The lender shall be the Bank, unless determined otherwise by the President of Space Florida;
5. The note shall mature and be payable in full no later than the seventh anniversary of the date on which the Note is issued; and
6. The proceeds of the Note, net of the costs of the closing, shall be used solely to fund costs of the Project;

B. The Chairman and an Officer or Officers are authorized and directed to negotiate, execute and deliver the Equipment Lease, the Loan Agreement, and the Note with such additional terms and provisions as they deem necessary or useful, consistent with the parameters in subsection A.

C. The Chairman and Officers are authorized and directed (i) to prepare, negotiate, execute, and deliver such other notices, agreements, certifications, and instruments, including security agreements, liens and related filings, and (ii) take all other actions as they deem necessary or useful to consummate and carry out the transaction authorized by this resolution.

Section 5. Severability. If any provision of this resolution shall be held illegal or unenforceable in any context, the holding shall not affect other provisions herein or render other provisions invalid or unenforceable. To that end, this resolution is declared to be severable.

Section 6. Applicable Provisions of Law. This resolution shall be governed by and construed in accordance with the laws of the State of Florida.

Section 7. Superseding Clause. All resolutions or parts thereof in conflict herewith are hereby superseded.

Section 8. Effective Date. This resolution shall take effect immediately upon its adoption.

APPROVED this ___ day of _____, 2017.

SPACE FLORIDA BOARD OF DIRECTORS

By: _____
William T. Dymond, Jr., Chairman
Board of Directors

ATTEST:

By: _____
