



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

FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013



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Space Florida
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For the years ended June 30, 2014 and 2013

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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 and for the years ended June 30, 2014 and 2013, 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 June 30, 2014 and 2013 and the changes in its financial position and its cash flows for the years then ended 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 14 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, entertainment and incidental expenses and the schedule of expenditures of state financial assistance, 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, entertainment and incidental expenses has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, 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.

Carr Riggs & Ingram, LLC

Melbourne, Florida
September 25, 2014

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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 years ended June 30, 2014, 2013 and 2012.

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

Space Florida utilizes funds to operate programs that retain, attract and expand new business to Florida, and to promote Florida as the world's premier space business destination. Space Florida is responsible for accelerating the growth of space-related 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 June 30, 2014 and 2013 by \$97,255,619 and \$89,120,364 (net position), respectively. Of this amount, \$2,006,682 and \$9,811,190 (unrestricted net position), respectively, may be used to meet Space Florida's ongoing obligations to citizens and creditors.
- Space Florida's total net position increased by \$8,135,255 for the year ended June 30, 2014 and increased by \$6,619,022 for the year ended June 30, 2013.

Space Florida Management's Discussion and Analysis

- For the years ended June 30, 2014 and 2013, unrestricted net position was 8 percent and 40 percent, respectively, of total operating expenditures.
- Space Florida's state appropriated revenue for operations for fiscal year 2014 and 2013 was \$12,149,685 and \$10,236,994, 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 years ended June 30, 2014 and 2013. 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 23-39 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 43 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 June 30, 2014, 2013 and 2012 by \$97,255,619, \$89,120,364 and \$82,501,342, respectively.

The following table reflects the condensed statement of net position.

Space Florida Net position

	2014	2013	2012
Cash	\$ 30,529,735	\$ 7,048,921	\$ 5,095,811
Receivables	14,857,549	9,124,405	6,790,158
Investments	3,796,595	4,289,520	4,189,520
Other current assets	454,429	872,318	804,377
Capital assets	91,441,227	75,143,830	69,847,259
Lease receivable	3,170,081	4,098,033	5,000,000
Other assets	3,177,951	3,306,300	1,723,533
Total assets	147,427,567	103,883,327	93,450,658
Accounts payable	4,969,121	551,953	1,113,420
Payable from restricted assets	24,181,137	8,510,099	3,881,877
Line of credit	-	1,331,582	677,012
Notes payable	20,621,182	4,098,033	5,000,000
Other liabilities	400,508	271,296	277,007
Total liabilities	50,171,948	14,762,963	10,949,316
Net position:			
Invested in capital assets, net of related debt	86,105,128	75,143,830	69,847,259
Restricted	9,143,809	4,165,344	-
Unrestricted	2,006,682	9,811,190	12,654,083
Total net position	\$ 97,255,619	\$ 89,120,364	\$ 82,501,342

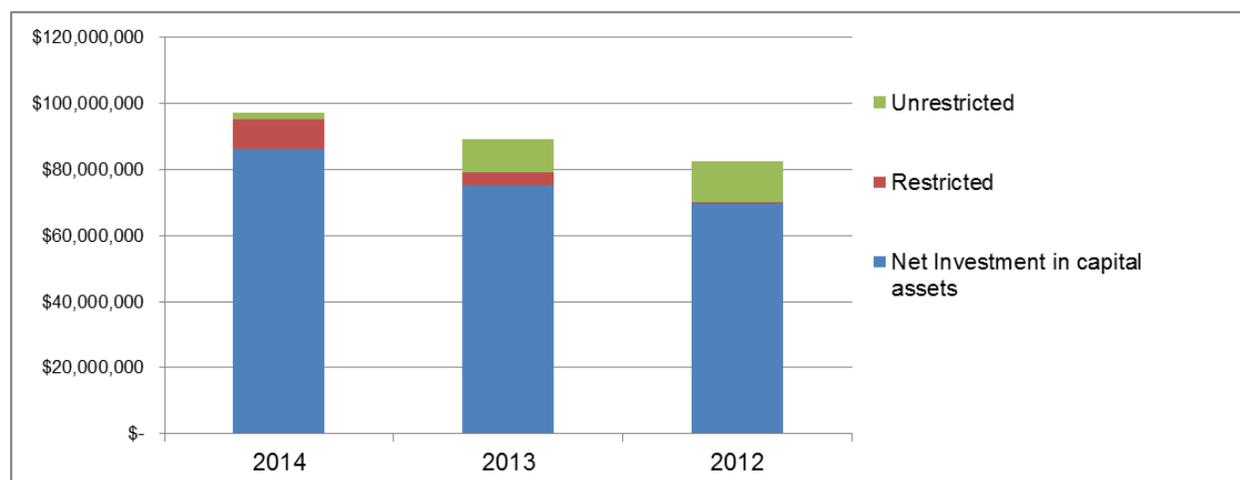
The largest portion of Space Florida's net position as of June 30, 2014 (89 percent), as of June 30, 2013 (84 percent) and as of June 30, 2012 (85 percent) reflects its investment in capital assets (e.g., buildings, equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding.

There was an increase in the restricted net position as of June 30, 2014 due to unspent proceeds from a new note payable issued in fiscal year 2014, which is restricted for a specific project. The increase in the restricted net position as of June 30, 2013 was due to an increase in grant funds for a specific project received in advance.

As of June 30, 2014, 2013 and 2012, Space Florida was able to report positive balances in all three categories of net position.

Space Florida Management's Discussion and Analysis

Net position



The following table shows condensed revenue and expense data:

Space Florida Changes in Net position

	2014	2013	2012
Operating revenues:			
Fees and charges for services	\$ 2,462,394	\$ 2,433,809	2,662,362
State appropriated funding	12,149,685	10,236,994	10,039,943
Grant revenue	16,289,051	12,303,008	3,161,465
Total operating revenue	30,901,130	24,973,811	15,863,770
Non-operating revenues:			
Other grant revenue	4,334,128	6,224,996	7,722,185
Other	280,603	290,458	16,714
Total non-operating revenues	4,614,731	6,515,454	7,738,899
Total revenues	35,515,861	31,489,265	23,602,669
Operating expenses:			
Business development activities	13,819,510	14,869,424 *	14,577,443 *
Operations	5,713,517	3,815,080	3,272,603
General, administrative and depreciation	6,147,496	5,861,431 *	4,541,605 *
Total operating expenses	25,680,523	24,545,935	22,391,651
Non-operating expenses:			
Total non-operating expenses	1,700,083	324,308	1,595,870
Total expenses	27,380,606	24,870,243	23,987,521
Change in net position	8,135,255	6,619,022	(384,852)
Net position – beginning	89,120,364	82,501,342	82,886,194
Net position – ending	\$ 97,255,619	\$ 89,120,364	\$ 82,501,342

* Reclassified to be consistent with the June 30, 2014 presentation.

Space Florida Management's Discussion and Analysis

Changes in Net Position. The net position balance increased \$8,135,255, increased \$6,619,022 and decreased \$384,852, for the years ended June 30, 2014, 2013 and 2012, respectively. For the year ended June 30, 2014, the increase in net position consisted of a \$5,220,607 net gain from operations and \$2,914,648 in net non-operating revenues that included \$4,334,128 in other state grant revenue and \$280,603 in interest income, less \$454,351 in interest expense, \$992,920 impairment loss on investment and \$252,812 due to a loss on the disposal of fixed assets. For the year ended June 30, 2013, the increase in net position consisted of a net gain from operations of \$427,876 and \$6,191,146 in net non-operating revenues that included \$6,224,996 in other state grant revenue and \$290,458 in interest income, less \$248,752 in interest expense and \$75,556 due to a loss on the disposal of fixed assets. For the year ended June 30, 2012, the decrease in net position consisted of \$6,527,881 net loss from operations offset by \$6,143,029 in net non-operating revenues that consisted of \$7,722,185 of other grant revenue from the Department of Economic Development, \$16,714 of interest income, less \$1,479,521 for a capital asset contributed to another governmental entity, \$105,272 in interest expense and \$11,077 foreign currency translation loss.

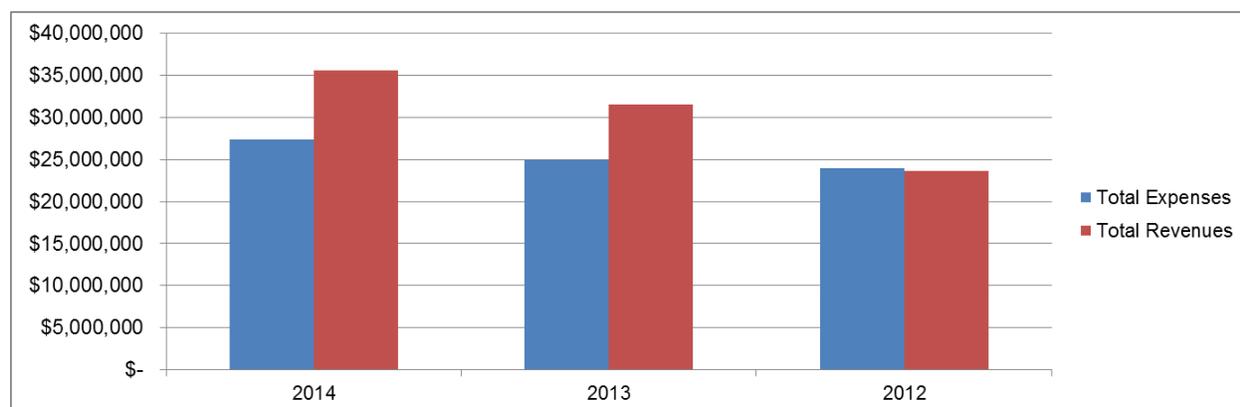
Operating revenues totaled \$30,901,130, \$24,973,811 and \$15,863,770 for the years ended June 30, 2014, 2013 and 2012, respectively, and were primarily provided by State appropriated funding (39 percent, 41 percent and 63 percent of total operating revenues, respectively) and state grants (51 percent, 45 percent and 15 percent of total operating revenues, respectively) with the remaining being generated from fees, charges for service and other grant revenues. In addition, Space Florida reported non-operating revenues of \$4,614,731, \$6,515,454 and \$7,738,899 for the years ended June 30, 2014, 2013 and 2012 respectively. Non-operating revenues in 2014, 2013 and 2012 consisted primarily of other grant revenues received from Florida Department of Transportation capital improvement projects.

Operating expenses were \$25,680,523 for the year ended June 30, 2014, \$24,545,935 for the year ended June 30, 2013, and \$22,391,651 for the year ended June 30, 2012. Of those totals, 22 percent for the year ended June 30, 2014, and 16 percent for the year ended June 30, 2013, 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 \$4,226,869, \$3,831,809 and \$3,132,930 for the years ended June 30, 2014, 2013 and 2012, 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 such as Enterprise Florida to accomplish these directives. During the period of June 30, 2014, June 30, 2013 and June 30, 2012, Space Florida expended 54 percent, 61 percent and 65 percent, respectively, of its operating expenditures to create and direct activities and programs that retain, attract and help expand aerospace businesses in Florida.

Space Florida Management's Discussion and Analysis

Total Revenues and Expenses



Capital Asset and Debt Administration

Capital assets. Space Florida's investment in capital assets as of June 30, 2014, 2013 and 2012 amounted to \$91,441,227, \$75,143,830 and \$69,847,259 (net of accumulated depreciation), respectively. This investment in capital assets includes buildings, improvements, construction in progress and equipment. In fiscal year 2014, approximately \$21,000,000 of Construction in Progress (CIP) was added to the capital asset balance. Also during fiscal year 2014, an approximately \$7,700,000 construction project for an office park (Exploration Park) was placed in service upon completion of Phase I Construction. Construction in progress as of June 30, 2014 and 2013 primarily consisted of capital improvements to Orbiter Processing Facility 3, Embraer Engineering Technical Center and several KSC Launch Complexes.

Space Florida Capital Assets (net of depreciation)

	2014	2013	2012
SRMU storage facility	\$ 5,201,958	\$ 5,629,792	\$ 6,057,627
RLV hangar and office space	1,706,837	2,120,000	2,533,163
Orion facility	26,583,673	27,808,045	29,032,417
Space Life Sciences Lab	19,336,143	19,293,801	19,884,049
Exploration Park	7,703,601	-	-
Other Facilities	462,488	610,798 *	120,346 *
Furniture, equipment and vehicles	4,159,281	4,095,602 *	933,993 *
Construction in progress	26,287,246	15,585,792	11,285,664
Total	\$ 91,441,227	\$ 75,143,830	\$ 69,847,259

* Reclassified to be consistent with the June 30, 2014 presentation.

Additional information on Space Florida capital assets can be found in Note 6 on pages 30 to 31 of this report.

Space Florida Management's Discussion and Analysis

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 29 and 32, 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 37.

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 37 of this report.

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 36 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 shall mature on January 30, 2015, however, if the note has not been retired on or before January 30, 2015, then on January 31, 2015, the maturity date of the note, the outstanding principal amount shall be extended with an amortization schedule determined by the bank over a 20 year term at an interest rate equal to the Note Rate in effect on the date immediately preceding the Conversion Date. The note was issued with a floating rate of interest equal to 72% of the one month 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. Additional information on this can be found in Note 8 on page 32-33 of this report.

Space Florida Outstanding Debt

	2014	2013
Notes payable	\$ 20,621,182	\$ 4,098,033

Space Florida's total debt increased by \$16,523,149. The increase was a result of Space Florida entering into a new \$17,500,000 loan agreement which was offset by the principal payments on an existing loan of \$976,851.



Space Florida Management's Discussion and Analysis

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.

BASIC FINANCIAL STATEMENTS

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Space Florida
Statements of Net Position

<i>June 30,</i>	2014	2013
ASSETS		
Current assets		
Cash:		
Unrestricted	\$ 6,542,316	\$ 3,428,643
Restricted	23,987,419	3,620,278
Accounts receivable, net of allowance for uncollectible accounts of \$342,178 and \$200,374 at June 30, 2014 and 2013, respectively	449,390	790,605
Due from other governments:		
Unrestricted	4,875,000	2,534,996
Restricted	9,337,527	5,736,213
Accrued interest receivable on loans receivable, current	5,385	5,924
Investments	3,796,595	4,289,520
Loans receivable	-	69,772
Leases receivable	1,007,957	976,851
Other current assets	454,429	872,318
Total current assets	50,456,018	22,325,120
Noncurrent assets		
Capital assets:		
Construction in progress	26,287,246	15,585,792
Other capital assets, net of accumulated depreciation:		
SRMU storage facility	5,201,958	5,629,792
Orion facility	26,583,673	27,808,045
Reusable Launch Vehicle (RLV) hangar and office space	1,706,837	2,120,000
Space Life Sciences Lab	19,336,143	19,293,801
Furniture, equipment and vehicles	4,159,281	4,095,602
Exploration Park - Leasehold Improvements	7,703,601	-
Other facility	462,488	610,798
Accrued interest receivable on loans receivable, noncurrent	190,247	56,667
Loans receivable, net of allowance of \$1,285,450 and \$1,232,200 as of June 30, 2014 and 2013, respectively	3,175,551	3,234,028
Leases receivable	2,162,124	3,121,182
Other noncurrent assets	2,400	2,500
Total noncurrent assets	96,971,549	81,558,207
Total assets	147,427,567	103,883,327

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

Space Florida
Statements of Net Position (continued)

<i>June 30,</i>	2014	2013
LIABILITIES		
Current liabilities		
Accounts payable	4,969,121	551,953
Salaries payable	143,027	99,070
Accrued retirement payable	9,447	-
Compensated absences	94,347	65,718
Deposits	41,372	28,905
Payable from restricted assets:		
Accounts payable	14,580,483	5,191,147
Unearned revenue	9,600,654	3,318,952
Line of credit	-	1,331,582
Notes payable	1,228,162	976,851
Total current liabilities	30,666,613	11,564,178
Noncurrent liabilities		
Compensated absences	112,315	77,603
Notes payable	19,393,020	3,121,182
Total noncurrent liabilities	19,505,335	3,198,785
Total liabilities	50,171,948	14,762,963
NET POSITION		
Net Investment in capital assets	86,105,128	75,143,830
Restricted for:		
Special purpose	9,143,809	4,165,344
Unrestricted	2,006,682	9,811,190
Total net position	\$ 97,255,619	\$ 89,120,364

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

Space Florida

Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended June 30,</i>	2014	2013
Operating revenues		
Fees and charges for services	\$ 2,462,394	\$ 2,433,809
State appropriated funding	12,149,685	10,236,994
State grant revenue	15,773,317	11,355,174
Federal grant revenue	515,734	947,834
Total operating revenues	30,901,130	24,973,811
Operating expenses		
Business development activities	13,819,510	14,869,424
Operations	5,713,517	3,815,080
General and administrative	1,920,627	2,029,622
Depreciation	4,226,869	3,831,809
Total operating expenses	25,680,523	24,545,935
Income from operations	5,220,607	427,876
Non-operating revenues (expenses)		
Interest income	280,603	290,458
Other State grant revenue	4,334,128	6,224,996
Interest expense	(454,351)	(248,752)
Impairment loss on investment	(992,920)	-
Loss on disposal of capital assets	(252,812)	(75,556)
Total non-operating revenues (expenses)	2,914,648	6,191,146
Change in net position	8,135,255	6,619,022
Net position, beginning of year	89,120,364	82,501,342
Net position, end of year	\$ 97,255,619	\$ 89,120,364

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

Space Florida Statements of Cash Flows

For the years ended June 30, 2014 2013

Cash flows from operating activities:		
Cash received from customers and users	\$ 9,069,087	\$ 4,973,211
Cash paid to suppliers for goods and services	(13,471,389)	(18,795,102)
Cash payments to employees for services	(3,030,363)	(2,539,385)
Loans issued	(25,000)	(1,604,679)
Operating grant receipts	26,098,732	24,065,819
Net cash provided by operating activities	18,641,067	6,099,864
Cash flows from capital and related financing activities:		
Capital related grant receipts	732,814	3,007,167
Purchase and construction of capital assets	(11,387,742)	(7,765,196)
Proceeds from sale of assets	-	14,999
Proceeds from issuance of note payable	17,500,000	-
Principal paid on note payable	(976,851)	(901,967)
Cash received on leases receivable	976,851	901,967
Line of credit draws and payments (net)	(1,331,582)	654,570
Net cash provided by (used in) capital and related financing activities	5,513,490	(4,088,460)
Cash flows from investing activities:		
Interest received	280,603	290,458
Interest paid	(454,351)	(248,752)
Purchase of investments	(499,995)	(100,000)
Net cash used in investing activities	(673,743)	(58,294)
Net increase in cash	23,480,814	1,953,110
Cash, beginning of year	7,048,921	5,095,811
Cash, end of year	\$ 30,529,735	\$ 7,048,921

Cash for the purposes of this statement consists of the following at June 30, 2014 and 2013:

Cash	\$ 6,542,316	\$ 3,428,643
Restricted cash	23,987,419	3,620,278
Total cash	\$ 30,529,735	\$ 7,048,921

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

Space Florida
Statements of Cash Flows (continued)

<i>For the years ended June 30,</i>	2014	2013
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 5,220,607	\$ 427,876
Adjustment to reconcile income from operations to net cash provided by operating activities		
Depreciation expense	4,226,869	3,831,809
Bad debt expense	298,158	595,703
(Increase) decrease in assets:		
Accounts receivable	196,306	(1,178,680)
Due from other governments	(2,340,004)	1,525,817
Accrued interest receivable on loans receivable	(133,041)	(59,258)
Loans receivable	(25,000)	(1,604,679)
Leases receivable	(48,899)	-
Other current assets	417,889	(67,941)
Other noncurrent assets	100	21,912
Increase (decrease) in liabilities:		
Accounts payable	4,417,168	(561,467)
Compensated absences	63,341	2,224
Salaries payable	43,957	(3,475)
Unearned revenue	6,281,702	3,174,483
Deposits	12,467	7,154
Accrued retirement payable	9,447	(11,614)
Total adjustments	13,420,460	5,671,988
Net cash provided by operating activities	\$ 18,641,067	\$ 6,099,864

SUMMARY OF NON-CASH OPERATING ACTIVITIES AND INVESTING ACTIVITIES:

During fiscal year 2014, Space Florida recorded an impairment loss on investment of \$992,920 on the Statement of Revenues, Expenses and Changes in Net Position and reduced investments by the same amount.

During fiscal year 2014, Space Florida recorded a lease receivable of \$48,899 to recognize lease revenue on a straight line basis.

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.

Effective July 1, 2012, Space Florida shall be 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 effect 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 (GASB) Cod. Section 150, since the stock and warrants are with privately held companies and therefore the fair market value is not readily determinable. Space Florida is allowed to invest in common stock and warrants under Florida Statute 331.305. Management has reviewed the investments and determined there is an impairment of \$992,920 (see custodial credit risk in Note 2) and \$0 for the years ended June 30, 2014 and 2013.

Accounts Receivable

The receivables are funds due to Space Florida from customers. Space Florida does not charge interest on late payments. An allowance of \$342,178 and \$200,374 was recorded at June 30, 2014 and 2013, respectively, based on management's estimate of 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 Current Assets

Consists of deposits and prepaid expenses.

Restricted Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Noncurrent Assets

Consists of receivables from capital leases.

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 GASC 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 the Space Life Sciences Lab ("SLSL"), 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 June 30, 2014 and 2013, 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 June 30, 2014 and 2013, the carrying amount of Space Florida’s deposits was \$30,529,735 and \$7,048,921, respectively, and the bank balance was \$31,772,702, and \$7,214,000, 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 June 30, 2014 and 2013, consists of the following:

	2014	2013
Demand deposits	\$ 30,529,735	\$ 7,048,921
Classified as:		
Cash	\$ 6,542,316	\$ 3,428,643
Restricted cash	23,987,419	3,620,278
	\$ 30,529,735	\$ 7,048,921

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 \$0 and \$992,920 at June 30, 2014 and 2013, respectively, that is denominated in English Pounds. Florida Statute 331.305 authorizes Space Florida to purchase interest 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 June 30, 2014 and 2013, Space Florida had the following investments that were greater than 5% of their total investments:

	2014	2013
Cella Energy Limited - 35,374 shares of common stock	\$ *	\$ 992,920
Instant Eyes, Inc. - 20,000 shares of common stock	249,650	249,650
Instant Eyes, Inc. - warrants to purchase 20,000 shares of common stock	249,650	249,650
Rivian Automotive, Inc. - warrants to purchase 300 shares of common stock	1,498,000	1,498,000
Speed of Need Solutions, Inc. - 25,000 shares of common stock	500,000	500,000
Speed of Need Solutions, Inc. - warrants to purchase 25,000 shares of common stock	699,300	699,300
XO Market Holding - 55.555 shares of series A preferred stock	499,995	**
Total	\$ 3,696,595	\$ 4,189,520

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 \$3,796,595 and \$4,289,520, as of June 30, 2014 and 2013, 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 \$992,920 during the year ended June 30, 2014.

*This investment was not greater than 5% of Space Florida's investments at June 30, 2014.

**This investment was not greater than 5% of Space Florida's investments at June 30, 2013.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments is comprised of \$14,212,527 and \$8,271,209 of State appropriations for operations at June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, \$9,337,527 and \$5,736,213 was restricted for infrastructure and operations, respectively.

NOTE 4 – LOANS RECEIVABLE

Space Florida entered into several loan agreements with a company and loaned them a total of \$1,036,925 through June 30, 2011 and charged 1% interest per year. During February 2012, the previous loans were refinanced and an additional \$399,076 was loaned to the Company. The loan is secured by collateral in an engine. Interest only payments are due monthly beginning March 2013 and 1% principal payments are due annually beginning February 2014 with a balloon payment due in 2022. Accrued interest at June 30, 2014 and June 30, 2013 was \$5,385 and \$5,146 respectively.

NOTE 4 – LOANS RECEIVABLE (Continued)

As of June 30, 2014, interest only payments are up to date, but the Company did not make as much progress as expected; therefore, 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 and \$142,200, at June 30, 2014 and 2013, respectively.

Space Florida entered into a loan agreement with another company (Company 2) and loaned them \$1,000,000 on May 24, 2012. Company 2 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 June 30, 2014 and June 30, 2013 was \$190,247 and \$56,667, 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 June 30, 2014, 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 an allowance of \$990,000 at both June 30, 2014 and 2013.

Space Florida entered into a loan agreement with another company (Company 3) and loaned them \$100,000 on November 9, 2011. The loan accrues interest at 2% per year. The payments are interest only beginning June 2012 for six months followed by 24 monthly payments of \$2,833, and a final balloon payment of any remaining principal and interest. Accrued interest at June 30, 2014 and June 30, 2013 was \$0 and \$778 respectively. As of June 30, 2014, Space Florida had not received the \$23,000 of principal and interest due. Space Florida's management had recorded an allowance of \$100,000, at June 30, 2013 and wrote off the receivable at June 30, 2014.

Space Florida entered into a loan agreement with another company (Company 4) 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 shall 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. Interest shall accrue during the months of no payment, which shall be added to the principal balance. Accrued interest at June 30, 2014 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. Space Florida's management has estimated a portion of the receivable will most likely not be collected and has recorded an allowance of \$8,250 at June 30, 2014.

NOTE 4 – LOANS RECEIVABLE (Continued)

Loans receivable are as follows at June 30,:

Name	2014		2013	
	Principal	Interest	Principal	Interest
Company 1	\$ 1,436,001	\$ 5,385	\$ 1,436,000	\$ 5,146
Company 2	3,000,000	190,247	3,000,000	56,667
Company 3	-	-	100,000	778
Company 4	25,000	-	-	-
Less allowance	(1,285,450)	-	(1,232,200)	-
Totals	\$ 3,175,551	\$ 195,632	\$ 3,303,800	\$ 62,591

NOTE 5 – LEASES RECEIVABLE

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

The future lease payments are as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$ 1,007,957	\$ 83,548	\$ 1,091,505
2016	1,040,053	51,452	1,091,505
2017	1,073,172	18,333	1,091,505
Totals	\$ 3,121,182	\$ 153,333	\$ 3,274,515

Space Florida entered into an operating lease for equipment beginning December 11, 2013. The lessee has two years to request equipment to be purchased by Space Florida and leased to them. As of June 30, 2014, \$869,322 in equipment had been leased by the lessee. The lease has a 2% interest rate. Payments will begin January 2016 and the first payment will include all accrued interest. A final monthly payment amount will be determined in January 2016 and will be equally spread over the following 36 months. As of June 30, 2014, the estimated principal payment is \$12,074. Space Florida recorded a lease receivable of \$48,899 on the Statement of Net Position at June 30, 2014 due to recognizing revenue on a straight line basis. There were no executory costs, unguaranteed residual values, deferred initial direct costs or unearned income.

The future lease payments are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 72,444	\$ 34,772	\$ 107,216
2017	144,887	17,386	162,273
2018	144,887	17,386	162,273
2019	72,443	8,693	81,136
Totals	\$ 434,661	\$ 78,237	\$ 512,898

Space Florida
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	2014			Balance June 30, 2014
	Balance June 30, 2013	Increases	Decreases	
Capital assets, not being depreciated:				
Construction in progress	\$ 15,585,792	\$ 20,853,460	\$ (10,152,006)	\$ 26,287,246
Total capital assets not being depreciated	15,585,792	20,853,460	(10,152,006)	26,287,246
Capital assets, being depreciated:				
SRMU storage facility	8,546,920	-	-	8,546,920
RLV hangar and office space	4,696,984	-	-	4,696,984
Orion facility	32,032,069	-	-	32,032,069
Space Life Sciences Lab	25,733,104	1,192,060	-	26,925,164
Launch complex 36	20,210	-	-	20,210
Furniture, equipment and vehicles	5,385,655	1,034,612	(278,408)	6,141,859
Exploration Park – Leasehold Improvements	-	7,848,952	-	7,848,952
Other facilities	635,121	-	-	635,121
Total capital assets being depreciated	77,050,063	10,075,624	(278,408)	86,847,279
Less accumulated depreciation for:				
SRMU storage facility	(2,917,128)	(427,834)	-	(3,344,962)
RLV hangar and office space	(2,576,984)	(413,163)	-	(2,990,147)
Orion facility	(4,224,024)	(1,224,372)	-	(5,448,396)
Space Life Sciences Lab	(6,439,303)	(1,149,718)	-	(7,589,021)
Launch complex 36	(20,210)	-	-	(20,210)
Furniture, equipment and vehicles	(1,234,498)	(773,676)	25,596	(1,982,578)
Exploration Park – Leasehold Improvements	-	(145,351)	-	(145,351)
Other facilities	(79,878)	(92,755)	-	(172,633)
Total accumulated depreciation	(17,492,025)	(4,226,869)	25,596	(21,693,298)
Total capital assets, being depreciated, net	59,558,038	5,848,755	(252,812)	65,153,981
Capital assets, net	\$ 75,143,830	\$ 26,702,215	\$ (10,404,818)	\$ 91,441,227

Space Florida
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2013 was as follows:

	2013			
	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Construction in progress	\$ 11,285,664	\$ 7,740,214	\$ (3,440,086)	\$ 15,585,792
Total capital assets not being depreciated	11,285,664	7,740,214	(3,440,086)	15,585,792
Capital assets, being depreciated:				
SRMU storage facility	8,546,920	-	-	8,546,920
RLV hangar and office space	4,696,984	-	-	4,696,984
Orion facility	32,032,069	-	-	32,032,069
Space Life Sciences Lab	25,463,414	401,142	(131,452)	25,733,104
Launch complex 36	20,210	-	-	20,210
Furniture, equipment and vehicles	1,369,472	4,016,183	-	5,385,655
Other facilities	135,121	501,482	(1,482)	635,121
Total capital assets being depreciated	72,264,190	4,918,807	(132,934)	77,050,063
Less accumulated depreciation for:				
SRMU storage facility	(2,489,293)	(427,835)	-	(2,917,128)
RLV hangar and office space	(2,163,821)	(413,163)	-	(2,576,984)
Orion facility	(2,999,652)	(1,224,372)	-	(4,224,024)
Space Life Sciences Lab	(5,579,365)	(900,835)	40,897	(6,439,303)
Launch complex 36	(20,210)	-	-	(20,210)
Furniture, equipment and vehicles	(415,269)	(819,229)	-	(1,234,498)
Other facilities	(34,985)	(46,375)	1,482	(79,878)
Total accumulated depreciation	(13,702,595)	(3,831,809)	42,379	(17,492,025)
Total capital assets, being depreciated, net	58,561,595	1,086,998	(90,555)	59,558,038
Capital assets, net	\$ 69,847,259	\$ 8,827,212	\$ (3,530,641)	\$ 75,143,830

NOTE 7 – LINE OF CREDIT

Space Florida entered into a line of credit in September 2011, and has available \$3,000,000. At June 30, 2014 and 2013, \$0 and \$1,331,582, respectively, was outstanding under this line of credit. The line of credit matures on June 30, 2015. Interest on the line of credit's outstanding balance is charged on a monthly basis and is at the LIBOR rate plus a 3.25% percent margin (3.48% as of June 30, 2014 and 3.45% as of June 30, 2013).

Interest expense under this line of credit was \$35,093 and \$59,215 for the years ended June 30, 2014 and 2013.

Line of credit activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Line of Credit	\$ 1,331,582	\$ -	\$ (1,331,582)	\$ -

NOTE 8 – 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 payments of \$90,959 are due on the 30th of every month beginning July 30, 2012. The outstanding principal balance as of June 30, 2014 and 2013 was \$3,121,182 and \$4,098,033, 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 matures on January 30, 2015, however, it shall be converted to a note payable over a 20 year 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 June 30, 2014 was \$17,500,000. 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 is expected to require less than 6% of appropriations.

NOTE 8 – LONG-TERM DEBT (Continued)

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

Year ending June 30,	Principal	Interest	Total
2015	\$ 1,228,162	\$ 429,997	\$ 1,658,159
2016	1,586,732	598,131	2,184,863
2017	1,646,535	804,932	2,451,467
2018	601,349	758,613	1,359,962
2019	631,701	729,260	1,360,961
2020-2024	3,646,461	3,153,346	6,799,807
2025-2029	4,627,623	2,172,185	6,799,808
2030-2034	5,872,767	927,019	6,799,786
2035-2039	779,852	12,478	793,310
Totals	\$ 20,621,182	\$ 9,585,961	\$ 30,207,143

Changes In Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2014 and 2013, was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Notes payable	\$ 4,098,033	\$ 17,500,000	\$ (976,851)	\$ 20,621,182	\$ 1,228,162
Compensated absences	143,321	185,866	(122,525)	206,662	94,347
Total	\$ 4,241,354	\$ 17,685,866	\$ (1,099,376)	\$ 20,827,844	\$ 1,322,509

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Notes payable	\$ 5,000,000	\$ -	\$ (901,967)	\$ 4,098,033	\$ 976,851
Compensated absences	141,097	72,421	(70,197)	143,321	65,718
Total	\$ 5,141,097	\$ 72,421	\$ (972,164)	\$ 4,241,354	\$ 1,042,569

NOTE 9 – CONDUIT DEBT

As defined by GASC 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. GASB has concluded that conduit debt does not create a liability for the governmental entity and, therefore, is not reflected on the entity's basic financial statements.

NOTE 9 – CONDUIT DEBT (Continued)

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 to the payment of the debts.

During January 2000, the Florida Space Authority entered into an agreement to assist in the financing and modification of Launch Complex 41 for use of the Atlas V rocket. This project was completed during the year ended June 30, 2003. The original value of the Florida Space Authority assisted financing on this project was approximately \$294,117,000. With the dissolution of the Florida Space Authority on September 1, 2006, the conduit debt was assigned to Space Florida. The debt was refinanced in November 2010 with a principal balance of \$100,000,000. As of June 30, 2014 and 2013, respectively, the outstanding balance was approximately \$62,424,929 and \$70,530,895. Rental 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 is being attached to the Shuttle Launch Experience facility. The \$35,000,000, and \$5,000,000 were refinanced into one loan with an additional \$22,500,000. The total amount of assisted financing is \$62,500,000. As of June 30, 2014 and 2013, the outstanding balance on Space Florida assisted financing was approximately \$59,493,362 and \$59,608,251. 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.

NOTE 10 – SRMU STORAGE FACILITY

On May 15, 2007, Space Florida entered into an agreement to lease the Titan IV Solid Rocket Motor Upgrade (SRMU) storage facility constructed at Camp Blanding, Florida. The lease is currently extended through September 30, 2014, and may be extended for up to six additional one year periods. However, the tenant may terminate the lease with a 90-day written notice. During the years ended June 30, 2014 and 2013, Space Florida recorded lease revenue of \$683,807 and \$532,250, respectively.

The SRMU storage facility was constructed on land owned by the State of Florida Armory Board. The annual land use fee for fiscal years 2014 and 2013 is approximately \$273,000 and \$250,000, respectively, and is payable by Space Florida in monthly installments of approximately \$22,750 and \$21,000, respectively.

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 \$5,201,958 and \$5,629,792 as of June 30, 2014 and 2013, respectively. However, management believes the current tenant will continue to renew the lease. Accordingly, no impairment loss has been recorded as of June 30, 2014 or 2013.

NOTE 11 – SPACE LIFE SCIENCES LAB

Space Florida leases the Space Life Sciences Lab (SLSL) to NASA and other lessees under lease agreements that end between September 30, 2014 and February 29, 2016. The net carrying value of the facility at June 30, 2014 and 2013 was \$19,336,143 and \$19,293,801, respectively. During the years ended June 30, 2014 and 2013, Space Florida recorded lease revenue of \$1,213,000 and \$997,000, respectively.

During the years ended June 30, 2014 and 2013, Space Florida recorded operations and maintenance expenses related to the SLSL facility of \$2,712,557 and \$1,615,206, respectively. Space Florida collects maintenance fees from all but one tenant as part of their lease agreements.

Space Florida will collect future minimum lease revenue of approximately \$499,000 and \$1,400 in the years ending June 30, 2015 and 2016, respectively.

NOTE 12 – HANGAR LEASE

During fiscal year 2011, Space Florida entered into lease agreements to rent hangars in order to attract new business to Brevard County. The leases expired in December 2012, with monthly payments ranging from \$5,637 to \$12,600. The leases were extended for another year, but were assigned to another company at June 30, 2013; therefore, there are no minimum future rental payments.

The rent expense for the years ended June 30, 2014 and 2013 was \$0 and \$446,940, respectively.

NOTE 13 – RIGHTS AND ACCESS

Launch Complex 36

Space Florida was granted a license (right to use) to Space Launch Complex 36 at Cape Canaveral Air Force Station from the Secretary of the Air Force for a period of five years commencing in November 2009 and ending November 2014 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 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 and was extended to September 2014. Space Florida anticipates renewal of the license in five year increments. The intended purpose of the complex, with certain limitations as described in the license agreement, is for the construction and operating of a launch complex that is capable to support space launches and other directly related activities for government, education and commercial purposes. Through an agreement with the Air Force and Navy, Space Florida shares SLC-46 site with the Naval Ordnance Test Unit (NOTU). The license is revocable at the will of the Secretary of the Air Force.

Exploration Park

On January 1, 2009, Space Florida entered into a 60 year enhanced use lease agreement, including additional extension options, with NASA's John F. Kennedy Space Center for 60 acres and an optional 139 additional acres located adjacent to the SLSL. The intended purpose of this property, with certain limitations as described in the lease agreement, is for the development of a mixed-use, multi-tenant technology and commerce park referred to as "Exploration Park." The park is intended to host diverse aerospace-related activities for commercial, civil and military tenants. There are no lease payments made for the lease agreement.

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. Space Florida and Seller 1 anticipate extending the commencement date of the lease to September 30, 2014. The vehicle will be leased back to Seller 1 at \$100 per year for 10 years. Seller 1 has an option to purchase the vehicle 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.

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 June 30, 2014 and 2013, 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. Employees may not contribute to social security while participating in the Plan.

All employees of Space Florida are eligible to participate in the Plan immediately. Participants vest at 100% upon entering the Plan and retirement is set at age 65. The Plan is non-contributory for employees and, therefore, all contributions are the obligation of Space Florida. Contributions to the Plan for the years ended June 30, 2014 and 2013 were \$469,998 and \$391,938, respectively, and represented 15% of total eligible employee gross compensation for each period.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Commitments

Contract commitments at June 30, 2014 and 2013 were \$33,015,570 and \$4,530,563, respectively, and related to the orbiter processing facility 3 modernization, project redline and certain other consulting agreements.

Economic Dependency

Space Florida received approximately 91% and 88% of its total revenues from State legislative appropriations and grants during the years ended June 30, 2014 and 2013, 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:

- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations; and
- Pension transition for Contributions Made Subsequent to the Measurement Date

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

NOTE 19 – RECLASSIFICATION

Certain items on the financial statements for the year ending June 30, 2013 were reclassified to conform with the June 30, 2014 presentation.

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SUPPLEMENTARY INFORMATION

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Space Florida

Schedule of Travel, Entertainment and Incidental Expenses

<i>For the year ended June 30,</i>	2014
Domestic:	
Travel and incidental (1)	\$ 402,269
Entertainment	36,862
Total domestic	439,131
Foreign:	
Travel and incidental (1)	80,436
Entertainment	2,946
Total foreign	83,382
Total	\$ 522,513

(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 June 30, 2014 and the related notes to the financial statements, which collectively comprise Space Florida's basic financial statements, and have issued our report thereon dated September 25, 2014.

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 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.

Carr Riggs & Ingram, LLC

Melbourne, Florida

September 25, 2014



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE 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 the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Space Florida's major State projects for the year ended June 30, 2014. 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 requirements of laws, 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 and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 June 30, 2014.

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.

Carr Riggs & Ingram, LLC

Melbourne, Florida
September 25, 2014

Space Florida
Schedule of Findings and Questioned Costs
For the year ended June 30, 2014

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>Name of State Project</u>
40.004	Space Florida
55.004	Aviation Development Grants
55.032	Economic Development Transportation Projects

Dollar threshold used to distinguish between type A and B programs was \$951,373 for major state projects.



Space Florida
Schedule of Findings and Questioned Costs (continued)
For the year ended June 30, 2014

Section II—Financial Statement Findings

No matters were reported.

Section III—State Project Findings and Questioned Costs

No matters were reported.

Section IV—Other Issues

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

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

Space Florida

Schedule of Expenditures of State Financial Assistance
For the year ended June 30, 2014

State Agency	CSFA Number	Contract/Grant Number	Expenditures	Transfer to Subrecipients
Florida Department of Economic Opportunity				
Direct Projects, Space Florida				
Funding & Program Agreement, Israel and Space Tourism	40.004	SB-14-008	\$11,212,689	\$ -
Aerospace Industry Financing Project	40.004	SB-14-011	1,761,531	-
Total CSFA number 40.004			12,974,220	-
Innovation Incentive Program	40.017	SB-12-275	1,513,127	-
Total Florida Department of Economic Opportunity			14,487,347	-
Florida Department of Transportation				
Direct Projects				
Aviation Development Grants	55.004	FM/#430124-1-94-02	487,707	-
Aviation Development Grants	55.004	FM/#430124-5-A8/94-01	5,999,338	-
Aviation Development Grants	55.004	FM/#430254-1-12-01	419,069	-
Aviation Development Grants	55.004	FM/#430125-1-94-01	222,500	-
Aviation Development Grants	55.004	FM/#430124-1-94-03	861,052	-
Aviation Development Grants	55.004	FM/#430254-1-14-03	8,090	-
Aviation Development Grants	55.004	FM/#430124-3-94-01	6,917,675	-
Total CSFA number 55.004			14,915,431	-
Economic Development Transportation Projects	55.032	FM/#432515-1-58-01	2,309,643	-
Total Florida Department of Transportation			17,225,074	-
Total Expenditures of State Financial Assistance			\$31,712,421	\$ -

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

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Board of Directors
Space Florida

We have audited the financial statements of Space Florida as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 25, 2014.

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. 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 Required by Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 25, 2014, should be considered in conjunction with this management letter.

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

- ❖ Section 10.554(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.
- ❖ Section 10.554(l)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Space Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

- ❖ Section 10.554(l)(i)4., 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.
- ❖ Section 10.554(l)(i)5., 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.
- ❖ Section 10.554(l)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the special condition(s) met. In connection with our audit, we determined that Space Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(l)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Space Florida for the fiscal year ended June 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2014. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Space Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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.

Carr Riggs & Ingram, LLC
Melbourne, Florida
September 25, 2014