Space Florida Board of Directors Meeting Agenda

September 11, 2018 1:30 – 3:30 p.m.

MISSION STATEMENT: To drive Florida economic development across the global aerospace enterprise.

Call-in Number: 866-528-2256 Guest Code: 4053892 #	The Intercontinental Hotel 100 Chopin Plaza Miami, FL 33131
Agence Call to Order and Pledge of Allegiance	a Items Bill Dymond
Roll Call	Elizabeth Loving
Welcome & Introductions	Bill Dymond
Public Comments	Bill Dymond
Board of Directors Board Committees	
	fore the Board
Approval of Minutes DRAFT Minutes from June 20, 2018	Bill Dymond
Governance and Compensation Committee Re Performance & Compensation for the Presider	
 Audit & Accountability Committee Reports Interim Financials June 30, 2018 Financial Statements for the years ended Sept Required Communication Contracts/Business Development/Projects Act Launch Complex 20 United Launch Alliance LC41 / FDOT Space Florida Launch Landing Facility Ramp I Defense Infrastructure Grant – Area 57 Space Florida's Facility Operations and Maintee Blue Origin's Rocket Testing & Refurbishment Common Use Infrastructure Helium Pipeline / 	ivities Jpgrades nance Facility / FDOT
 Spaceport Engineering Support Services / FDG NASA's Hypersonic Pulse Facility (HYPULSE) President's Report	
 Near Term – Upcoming Events: October 4 – ULA Atlas V – Advanced Extremely High October 6 – Pegasus XL – ICON - An air-launched Nowill deploy NASA's Ionospheric Connection Explorer November 29 – SpaceX Falcon 9 - will launch the Es'h Nov/Dec (TBD) Space Florida Board Meeting – Cape INFORMATION: <u>Recent Press Releases</u> 	rthrop Grumman Pegasus XL rocket (ICON) satellite into orbit ail 2 communications satellite
Closing Remarks / Adjournment	Bill Dymond
1/9	9

Board of Directors



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.

Gregory Celestan Chairman & Chief Executive Officer of Celestar

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

Barbara Essenwine Vice President/Business Manager, GCY, 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

Board Committees



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

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

INVESTMENT COMMITTEE

Jay Beyrouti President Monicarla, Ltd.

Mori Hosseini Chairman/CEO ICI Homes

DRAFT Minutes from June 20, 2018

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

A Regular meeting of the Space Florida Board of Directors was June 20, 2018 at the Westshore Grand, Tampa, FL.

BOARD MEMBERS PRESENT:

Jay Beyrouti Greg Celestan Sonya Deen William Dymond Kenneth Kahn (phone) Jason Steele (phone) Andrew Weatherford

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. March 14, 2018
 - 2. Audit and Accountability Committee Reports
 - a. Interim Financials March 31, 2018
 - 3. Contracts/Business Development/Project Activities
 - a. State of Florida Department of Economic Opportunity
 - b. 2018 Florida-Israel Aerospace Research & Development Program
 - c. Space Policy Consulting and Support Contracts
 - d. Resolution to Refinance the Space Florida Research & Development Center at Melbourne International Airport (MIA)
 - e. Project Forge
 - f. Project Pine
 - g. Project Blue Heron Removed from the Agenda
 - h. Project Made In Space
 - i. FDOT FY 19 Spaceport Master Plan Amendment
 - j. FDOT 2019 Spaceport Planning and Engineering/Contractors
 - k. FDOT Space Florida Launch and Landing Facility/Rush Construction
 - 1. FDOT Project Palmer/SpaceX
 - m. FDOT Common Use Infrastructure at Kennedy Space Center
 - n. FDOT LC-46/Ivey's Construction
 - o. FDOT/Blue Origin Rocket Testing & Refurbishment Complex
 - p. FDOT/Jacksonville Aviation Authority
- VI. Government in Sunshine, Public Records & Ethics Board Briefing
- VII. President's Report
- VIII. Up Coming Events
- IX. Closing Remarks and Adjournment

A quorum being present, the meeting was called to order at 1:30 p.m. (EDT)

Chairman Bill Dymond, called the meeting to order at 1:30 P.m., and welcomed Board members and guests.

There were no Public Comments.

BUSINESS BEFORE THE BOARD:

Approval of Minutes

Jay Beyrouti made a motion to approve the minutes for March 14, 2018 Board of Directors meeting, which was seconded by Andrew Weatherford, and approved unanimously.

AUDIT AND ACCOUNTABILITY COMMITTEE REPORTS:

Denise Swanson presented the following:

Space Florida Management requested Board approval for the issuance of the quarterly financial statements for the period ended March 31, 2018.

Jay Beyrouti made a motion to approve the issuance of Space Florida's quarterly financial statements for the period ended March 31, 2018, which was seconded by Andrew Weatherford, and approved unanimously.

CONTRACTS/BUSINESS DEVELOPMENT/PROJECT ACTIVITES:

Howard Haug presented the following action items for Board approval:

State of Florida Department of Economic Opportunity

Space Florida Management requested Board approval to negotiate and enter contract activities with the Department of Economic Opportunity (DEO) in the amount of Eighteen Million Five Hundred Thousand Dollars (\$18,500,000) for the period of July 1, 2018 through June 30, 2019 consisting of the following performance agreements:

- Space Florida Operations Eleven Million Five Hundred Thousand Dollars (\$11,500,000)
- Space Florida Florida-Israel Space Industry Development One Million Dollars (\$1,000,000)
- Aerospace Industry Financing Six Million Dollars (\$6,000,000)

There was discussion from the Board

Andrew Weatherford made a motion to approve Management to complete negotiations and enter performance agreements with DEO respective to the appropriated total funding of Eighteen Million Five Hundred Thousand Dollars (\$18,500,000) for the period of July 1, 2018 to June 30, 2019, which was seconded by Greg Celestan, and approved unanimously.

2018 Florida-Israel Aerospace Research & Development Program

Space Florida Management requested Board approval to negotiate and enter contract activities in the amount of up to One Million Seventy-Nine Thousand Dollars (\$1,079,000) for the Fiscal Year 2018 Florida-Israel Aerospace Research & Development Program Awards to the four (4) selected proposal awardees up to the amounts indicated as follows:

- G a N Corporation Two Hundred Eighty-Eight Thousand Six-Hundred Dollars (\$288,600)
- Pheronym Three Hundred Thousand Dollars (\$300,000)
- Made in Space Two Hundred Fifty Thousand Dollars (\$250,000)
- Semplastics Inc- Two Hundred Forty Thousand Dollars (\$240,000)

There was discussion from the Board

Greg Celestan made a motion to approve Management to complete negotiations and enter into the 2018 Award agreements in conjunction with the Florida-Israeli Aerospace research and Development program with G a N

Corporation; Pheronym; Made In Space and Semplastics for a combined total of up to One Million Seventy-Nine Thousand Dollars (\$1,079,000), which was seconded by Sonya Deen and approved unanimously.

Space Policy Consulting and Support Contracts

Space Florida Management requested Board approval to negotiate and enter contract activities in the amount of up to Two Hundred Fifty-Five Thousand Six Hundred Dollars (\$255,600) for Spaceport related consulting and professional services to the three (3) firms below up to the amounts indicated as follows:

- Spaceport Strategies, LLC. One Hundred Thirty-Nine Thousand Six Hundred Dollars (\$139,600)
- S.O. Witt & Associates, LLC. Fifty-Eight Thousand Dollars (\$58,000)
- MLA Space Fifty-Eight Thousand Dollars (\$58,000)

There was discussion from the Board

Jay Beyrouti made a motion to approve Management to complete negotiations and enter into the contracts with Spaceport Strategies, LLC., S.O. Witt and Associates, LLC., and MLA for Spaceport related consulting and professional services as described in the total amount of up to Two Hundred Fifty-Five Thousand Six Hundred Dollars (\$255,600), which was seconded by Andrew Weatherford and approved unanimously.

Resolution to Refinance the Space Florida Research & Development Center at Melbourne International Airport

Space Florida Management requested Board approval to negotiate and enter the activities associated with Resolution #29. The Resolution relates to the refinancing of debt incurred to fund the construction of Space Florida's Research & Development Center at the Melbourne International Airport. The Resolution authorizes the issuance of Space Florida Refunding Bonds, Series 2018 in an amount not to exceed Fifteen Million Dollars (\$15,000,000) sufficient to (1) refund and retire the Space Florida Project Redline Note dated October 31, 2013; (2) fund a reserve account; and, (3) to the pay cost of issuing such Bonds and other actions identified in Resolution #29. The Board received an advance copy of Resolution #29 authorizing all actions necessary to close the bond issuance.

There was discussion from the Board

Sonya Deen made a motion to approve Managements request to approve Resolution #29 as described and to authorize the officers of Space Florida to take all actions necessary to close the bond issuance, which was seconded by Jay Beyrouti and approved unanimously.

Project Forge

Space Florida Management requested Board approval to negotiate and enter definitive agreements necessary to complete a loan transaction in conjunction with Project Forge activities in the amount of up to One Million Five Hundred Thousand Dollars (\$1,500,000), for a four (4) year term at market interest rates.

There was discussion from the Board

Jason Steele made a motion to approve Space Florida Management to complete negotiations and enter the definitive loan agreements in the amount of up to One Million Five Hundred Thousand Dollars (\$1,500,000), as described, which was seconded by Andrew Weatherford, and approved unanimously.

Project Pine

Space Florida Management requested Board approval to negotiate and enter a Binding Term Sheet for project activities associated with the Space Florida Launch and Landing Facility (SFLLF) and other related facilities and activities for aerospace operations related to Project Pine at the Cape Canaveral Spaceport. The Term Sheet will outline commitments by both parties related to the premises and reconfiguration of utilities intended to be multi-use at the SFLLF. Space Florida intends to return to the Board with future definitive agreements related to the companies use and occupancy of the premises and/or other agreements necessary to support the company's activities.

There was discussion from the Board

Andrew Weatherford made a motion to approve Space Florida Management to complete negotiations and enter the Binding Term Sheet with Project Pine, as described, which was seconded by Sonya Deen, and approved unanimously.

<u>Project Blue Heron</u> – Was removed from the Agenda.

Project Made In Space

Space Florida Management requested Board approval to negotiate and enter a convertible bridge loan with Made In Space in the amount of One Million Dollars (\$1,000,000) with a four (4) year term at a market interest rate. Additionally, Space Florida requested approval regarding the company's option to convert the existing One Million Dollars (\$1,000,000) outstanding Note, dated March 29, 2017, into a convertible debt instrument with a four-year term at a market interest rate.

There was discussion from the Board

Jay Bayrouti made a motion for Space Florida Management to complete negotiations and enter the definitive convertible loan agreements with Made In Space in the amount of One Million Dollars (\$1,000,000). The motion included the approval of a company option to Made In Space to convert the existing One Million Dollar (\$1,000,000) Note dated March 29, 2017, to include a default cure, which was seconded by Greg Celestan, and approved unanimously.

FDOT FY19 Spaceport Master Plan Amendment

Space Florida Management requested Board approval to amend the 2017 Space Florida Cape Canaveral Spaceport Master Plan to include the updates as identified in the chart included in the advanced Board package. The amendment is intended to permit Space Florida to fund 2019 projects not currently included as eligible in the current approved Spaceport Master Plans.

There was discussion from the Board

Andrew Weatherford made a motion to amend the 2017 Space Florida Cape Canaveral Spaceport Master Plan to include the updates identified in the chart for Fiscal Year 2019, which was seconded by Jay Beyrouti, and approved unanimously.

FDOT FY2019 Spaceport Planning & Engineering/Contractors

Space Florida Management requested Board approval to enter negotiations and related contract activities with the Florida Department of Transportation (FDOT) for 100% reimbursement, in the amount of up to Two Million Five Hundred Thousand Dollars (\$2,500,000), in conjunction with FY19 spaceport engineering and planning services. Additionally, Management requested approval to negotiate and enter related contract activities with AECOM, BRPH and RS&H, and their subcontractors, in the amount of up to Two Million Five Hundred Thousand Dollars (\$2,500,000) to perform engineering and planning services on task order basis.

There was discussion from the Board

Sonya Deen made a motion to approve Space Florida Management to complete negotiations and enter agreements with FDOT in the amount of up to Two Million Five Hundred Thousand Dollars (\$2,500,000) as well as the related contract activities with AECOM, BRPH and RS&H and their subcontractors in the amount of up to Two Million Five Hundred Thousand Dollars (\$2,500,000), as described, which was seconded by Greg Celestan, and approved unanimously.

FDOT Space Florida Launch and Landing Facility / Rush Construction

Space Florida Management requested Board approval to negotiate and enter agreement with FDOT for 100% reimbursement, in the amount of up to Thirty-Eight Million, Eight Hundred Thousand Dollars (\$38,800,000), in funding for multiple common use infrastructure improvements, including but not limited to utility and road development, land preparation and other site development activities at the Space Florida Launch and Landing Facility (SFLLF). Additionally, Management requested approval to negotiate and enter an agreement with Rush Construction, Inc., for construction activities in the amount of up to One Million Dollars (\$1,000,000) in conjunction with infrastructure improvements at the SFLLF in support of Project Pine activities.

There was discussion from the Board

Sonya Deen made a motion to approve Space Florida Management to complete negotiations and enter agreement with FDOT in the amount of up to Thirty-Eight Million Eight Hundred Thousand Dollars (\$38,800,000) as well as Rush Construction in the amount of up to One Million Dollars (\$1,000,000), as described, which was seconded by Jay Beyrouti, and approved unanimously.

FDOT Project Palmer/SpaceX

Space Florida Management requested Board approval to negotiate and enter agreement with FDOT in support of common use infrastructure improvements at Kennedy Space Center for SpaceX and Project Palmer activities. The FDOT Agreement will provide up to fifty percent (50%) of eligible cost reimbursement in the amount of up to Six Million Five Hundred Thousand Dollars (\$6,500,000). Additionally, Space Florida requested approval for Management to negotiate and enter the appropriate agreements with SpaceX consisting of the reimbursement of up to Fifty Percent (50%) of eligible cost reimbursements in the amount of up to Six Million Five-Hundred Dollars (\$6,500,000), to commit to investing up to Fifteen Million Dollars (\$15,000,000) in infrastructure and to create Ninety (90) jobs, with an annual wage of Eighty Thousand (\$80,000), plus benefits.

There was discussion from the Board

Jay Beyrouti made a motion to approve Space Florida Management to complete negotiations and enter agreements with FDOT in the amount of up to Six Million Five Hundred Thousand Dollars (\$6,500,000) as well as SpaceX in the amount of up to Six Million Five Hundred Thousand Dollars (\$6,500,000), as described, which was seconded by Sonya Deen, and approved unanimously.

FDOT Common Use Infrastructure at Kennedy Space Center

Space Florida Management requested Board approval to negotiate and enter agreement with FDOT, for 100% reimbursement, in the amount of up to Eight Million Dollars (\$8,000,000), for common use infrastructure associated with roads, utilities and infrastructure improvements in support of Project Palmer activities at Kennedy Space Center.

There was discussion from the Board

Andrew Weatherford made a motion to approve Management to complete negotiations and enter agreement with FDOT in the amount of up to Eight Million Dollars (\$8,000,000), as described, which was seconded by Greg Celestan, and approved unanimously.

FDOT LC-46/Ivey's Construction

Space Florida Management requested Board approval to negotiate and enter agreement with FDOT, for 100% reimbursement, in the amount of up to Three Million Five Hundred Thousand Dollars (\$3,500,000), for common use infrastructure upgrades at Launch Complex 46 for lightning protection system common use infrastructure improvements. Additionally, Space Florida Management requested approval to negotiate and enter agreement with Ivey's Construction in an amount of up to Three Million Five Hundred Thousand Dollars (\$3,500,000) to perform the work at LC-46.

There was discussion from the Board

Greg Celestan made a motion to approve Space Florida Management to complete negotiations and enter agreements with FDOT in the amount of up to Three Million Five Hundred Thousand Dollars (\$3,500,000) as well as Ivey's Construction in the amount of up to Three Million Five Hundred Thousand Dollars (\$3,500,000), as described, which was seconded by Andrew Weatherford, and approved unanimously.

FDOT/Blue Origin Rocket Testing & Refurbishment Complex

Space Florida Management requested Board approval to negotiate and enter agreement with FDOT in support of Blue Origin's Rocket Testing & Refurbishment Facility and infrastructure improvements at the Cape Canaveral Spaceport Exploration Park location. The FDOT Funding Agreement will fund 50% of eligible costs incurred for the infrastructure improvements in the amount of up to Three Million Four Hundred Thousand Dollars (\$3,400,000). Additionally, Space

Florida requested approval for Management to negotiate and to enter the appropriate agreements with Blue Origin for the infrastructure improvements consisting of reimbursement of up to Fifty Percent (50%) of eligible cost reimbursement in the amount of up to Three Million Four Hundred Thousand Dollars (\$3,400,000), to commit to investing up to Forty Million Dollars (\$40,000,000) in the facility and to create fifty (50) jobs, with an annual wage of Seventy Thousand Dollars (\$70,000), plus benefits.

There was discussion from the Board

Jay Beyrouti made a motion to approve Space Florida Management to complete negotiations and enter agreements with FDOT in the amount of up to Three Million Four Hundred Thousand Dollars (\$3,400,000) as well as Blue Origin in the amount of up to Three Million Four Hundred Thousand Dollars (\$3,400,000), as described, which was seconded by Sonya Deen, and approved unanimously.

FDOT/Jacksonville Aviation Authority

Space Florida Management requested Board approval to negotiate and enter agreement with FDOT in support of the Jacksonville Aviation Authority (JAA) Space Transportation capacity infrastructure improvements at Cecil Spaceport. The FDOT Funding Agreement will fund fifty percent (50%) of the eligible costs incurred for the infrastructure improvements in the amount of up to One Million Eight Hundred Thousand Dollars (\$1,800,000). Additionally, Space Florida Management requested approval to negotiate and enter agreement with the Jacksonville Aviation Authority for the Cecil Spaceport infrastructure improvements consisting of reimbursement of up to 50% of eligible cost reimbursements in the amount of up to One Million Eight Hundred Thousand Dollars (\$1,800,000). Mr. Todd Lindner and Mr. Michael Stewart from Cecil Spaceport addressed the Board on the opportunities this investment will attract.

There was discussion from the Board

Sonya Deen made a motion to approve Space Florida Management to complete negotiations and enter and agreement with FDOT in the amount of up to One Million Eight Hundred Thousand Dollars (\$1,800,000), as well as the Jacksonville Aviation Authority in the amount of up to One Million Eight Hundred Thousand Dollars (\$1,800,000), as described, which was seconded by Andrew Weatherford, and approved unanimously.

GOVERNMENT IN THE SUNSHINE, PUBLIC RECORDS & ETHICS

Mr. Tom Wilkes, Partner at Gray Robinson provided the Space Florida Board of Directors a briefing of the Sunshine, Public Records and Ethics laws for the State of Florida.

PRESIDENT'S REPORT

Frank DiBello shared his President's Report and thanked the Board for the approval of today's action items. He reminded the Board of the upcoming launches and events.

CLOSING REMARKS & ADJOURNMENT

Bill Dymond thanked the Board for their discussion and involvement.

Bill Dymond adjourned the meeting at 3:42 p.m. (EDT)

William Dymond, Jr., Chair

.-5

BOARD OF DIRECTORS MEETING

June 20, 2018

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 20, 2018, and not subsequently amended or modified.

Frank A. DiBello, President

Separator Page

Interim Financials June 30, 2018

14/99



The Period Ending June 30, 2018 Unaudited In 000's

											Т	otal Actual and	E	Budget
	Tot	tal budget	Q1	L Actual	Q	2 Actual	Q3	Actual	Cor	mmitted	Co	mmitments	Re	maining
Operations Revenues														
State Appropriated Revenue - OPS	\$	11,500	\$	2,875	\$	2,875	\$	2,875	\$	2,875	\$	11,500	\$	-
Other Revenue	\$	3,254	\$	645	\$	1,339	\$	671	\$	615	\$	3,269	\$	(15)
Total Operations Revenues	\$	14,754	\$	3,520	\$	4,214	\$	3,546	\$	3,490	\$	14,769	\$	(15)
Operations Expenses														
Salaries & Other Related Costs	\$	6,689	\$	1,366	\$	1,379	\$	1,588	\$	1,407	\$	5,740	\$	948
Contract & Subcontract Services	\$	3,531	\$	778	\$	706	\$	906	\$	1,262	\$	3,651	\$	(120)
Operating, General & Administrative	\$	1,815	\$	276	\$	171	\$	215	\$	368	\$	1,062	\$	754
Utilities & Maintenance	\$	1,320	\$	242	\$	232	\$	199	\$	600	\$	1,273	\$	47
Business Recruitment/Investment	\$	1,096	\$	21	\$	169	\$	151	\$	479	\$	820	\$	276
Travel & Entertainment	\$	303	\$	40	\$	86	\$	74	\$	130	\$	330	\$	(27)
Total Operations Expenses (No Depreciation)) \$	14,754	\$	2,721	\$	2,743	\$	3,134	\$	4,246	\$	12,876	\$	1,878
Change in Net Assets due to Operations	\$	0	\$	798	\$	1,471	\$	412	\$	(756)	\$	1,893		

15/99

Financial Statements for the years ended September 30, 2017 and 2016





Space Florida Table of Contents For the years ended September 30, 2017 and 2016

Introductory Section	
Title Page	1
Table of Contents	2
Financial Section	
REPORT	
Independent Auditors' Report	3
Management's Discussion and Analysis	7
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	17
Statements of Revenues, Expenses and Changes in Net Position	19
Statements of Cash Flows	20
Notes to Financial Statements	23
Supplementary Information	
Schedule of Travel, Business Meals and Incidental Expenses	45
Additional Elements Required by Government Auditing Standards	
and the Rules of the Auditor General	
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	47
Independent Auditors' Report on Compliance for Each Major State	
Project; Report on Internal Control over Compliance, and Report on the Schedule of	
Expenditures of State Financial Assistance Required by Chapter 10.550, Rules of the	
Auditor General	49
Schedule of Findings and Questioned Costs	51
Schedule of Expenditures of State Financial Assistance	53
Independent Auditors' Management Letter	55
Independent Accountants' Report on Compliance with Local Government Investment	
Policies	59



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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors Space Florida Cape Canaveral, Florida

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 September 30, 2017 and 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, 2017 and 2016 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, business meals and incidental expenses and the schedule of expenditures of state financial assistance for the year ended September 30, 2017 and 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 27, 2018, 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 solely 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 effectiveness of Space Florida's 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.

Can, Rigge & Ingram, L.L.C.

Melbourne, Florida June 27, 2018

THIS PAGE IS INTENTIONALLY LEFT BLANK.



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 September 30, 2017, 2016, and 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 beginning with September 30, 2016. Accordingly, the accompanying Statement of Net Position is as of September 30, 2017, September 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 years ended September 30, 2017 and September 30, 2016 and does not include the year ended September 30, 2015 as that information is not available.

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, 2017 and 2016 by \$110,183,400, and \$103,476,702 (net position), respectively. Of this amount,

\$25,240,799 and \$28,596,606 (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 \$6,706,698 for the year ended September 30, 2017 and decreased by \$6,120,210 for the year ended September 30, 2016.
- Space Florida's state appropriated revenue for operations for the year ended September 30, 2017 and 2016 was \$21,209,740 and \$18,860,226 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 September 30, 2017 and 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 page 45 of this report.

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, 2017, 2016 and 2015 by \$110,183,400, \$103,476,702, and \$109,596,912, respectively.

The following table reflects the condensed statement of net position.

	9/30/17	9/30/16	9/30/15
Cash	\$ 53,609,344	\$ 21,685,404	\$ 13,381,472
Receivables	21,017,523	7,703,635	21,454,504
Investments	4,840,170	4,278,774	4,296,595
Other current assets	988,139	1,163,837	1,461,937
Capital assets	101,992,903	90,121,516	99,238,662
Lease receivable	-	942,148	2,011,833
Prepaid rent	5,643,839	6,026,472	6,409,105
Other assets	3,308,852	4,667,423	4,668,480
Total assets	191,400,770	136,589,209	152,922,588
Accounts payable	7,058,791	1,468,195	2,120,149
Payable from restricted assets	43,936,429	13,425,052	14,192,545
Notes payable	28,696,252	16,430,554	18,786,485
Deferred rent liability	897,147	621,102	345,057
Other liabilities	628,751	1,167,604	7,881,440
Total liabilities	81,217,370	33,112,507	43,325,676
Net position:			
Invested in capital assets, net of			
related debt	72,733,543	74,466,595	82,308,438
Restricted	12,209,058	413,501	8,494,870
Unrestricted	 25,240,799	 28,596,606	 18,793,604
Total net position	\$ 110,183,400	\$ 103,476,702	\$ 109,596,912

Space Florida Net position

The largest portion of Space Florida's net position as of September 30, 2017 (66 percent), as of September 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 restricted net position as of September 30, 2017 was due to advance payments received which is restricted for a specific project. The decrease in the restricted net position as of September 30, 2016 is due to spending of proceeds from a note payable issued in fiscal year 2014, which is restricted for a specific project.

As of September 30, 2017, September 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:

Net position – ending

	Fo	r the year ended	For	the year ended
	Sep	tember 30, 2017	Sept	ember 30, 2016
Operating revenues:				
Fees and charges for services	\$	5,445,184	\$	4,092,780
State appropriated funding		21,209,740		18,860,226
Grant revenue- operating		25,019,903		2,173,037
Total operating revenue		51,674,827		25,126,043
Non-operating revenues:				
Other		254,397		285,227
Grant revenue- capital		8,657,807		86,468
Total non-operating revenues		8,912,204		371,695
Total revenues		60,587,031		25,497,738
Operating expenses:				
Business development activities		35,380,292		17,647,856
Educational research		456,526		462,648
Operations		8,193,302		5,680,101
General, administrative and depreciation		9,358,483		7,285,650
Total operating expenses		53,388,603		31,076,255
Non-operating expenses:				
Total non-operating expenses		491,730		541,693
Total expenses		53,880,333		31,617,948
Change in net position		6,706,698		(6,120,210)
Net position – beginning		103,476,702		109,596,912

Space Florida Changes in Net position

\$

\$

103,476,702

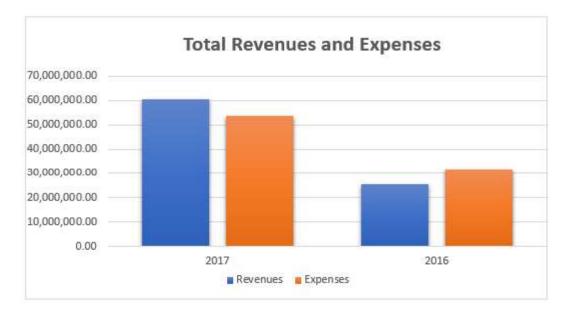
110,183,400

Changes in Net Position. The net position balance increased by \$6,706,698 and decreased by \$6,120,210 for the years ended September 30, 2017 and September 30, 2016, respectively. For the year ended September 30, 2017, the increase in net position consisted of \$1,713,776 net reduction from operating activity with an \$8,420,474 net increase from non-operating revenues that included \$8,657,807 in state grant capital revenue and \$254,397 in interest income, less \$490,432 in interest expense and \$1,298 loss on disposal of fixed assets. For the year ended September 30, 2016, the decreased in net position consisted of \$5,950,212 net reduction from operating activity and \$169,998 in net non-operating expenses that included \$86,468 in state grant capital revenue and \$285,227 in interest income, less \$504,978 in interest expense, \$17,821 loss on investment, and \$18,894 loss on disposal of fixed assets.

Operating revenues totaled \$51,674,827 and \$25,126,043 for the years ended September 30, 2017 and September 30, 2016, respectively, and were primarily provided by State appropriated funding (41 percent and 75 percent of total operating revenues, respectively). Other grant revenue-operating was provided by spaceport infrastructure development grants from State appropriations with the remaining being generated from fees and charges for services. In addition, Space Florida reported non-operating revenues of \$8,912,204 and \$371,695 for the years ended September 30, 2017 and 2016, respectively. Other grant revenue- capital was provided by the spaceport infrastructure development grants from State appropriations.

Operating expenses were \$53,388,603 for the year ended September 30, 2017 and \$31,076,255 for the year ended September 30, 2016. Of those totals, 15 percent for the year ended September 30, 2017 and 18 percent for the year ended September 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 \$6,281,016 and \$6,355,325, for the years ended September 30, 2017 and 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. For the years ended September 30, 2017 and September 30, 2016, Space Florida expended 66 percent and 57 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, 2017, September 30, 2016, and September 30, 2015 amounted to \$72,733,543, \$74,466,595, 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, 2017 balance in Construction in Progress primarily consisted of construction of a new facility in Exploration Park. 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)

	9/30/17	9/30/16	9/30/15
SRMU storage facility	\$ 3,868,942	\$ 4,301,274	\$ 4,726,514
RLV hangar and office space	1,019,951	1,118,284	1,190,382
Orion facility	22,604,464	23,828,836	25,053,208
Space Life Sciences Lab	16,102,523	17,077,914	18,001,069
Launch Complex 46	4,318,493	180,796	258,448
Engineering & Technology Center	15,057,909	15,676,714	16,377,486
Commercial Crew Processing Facility	17,026,489	17,721,450	18,546,704
Other Facilities	2,648,698	1,996,773	1,875,507
Furniture, equipment and vehicles	3,190,884	4,857,142	6,420,008
Construction in progress	16,154,550	3,362,333	6,789,336
Total	\$ 101,992,903	\$ 90,121,516	\$ 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. The lease were paid in full during fiscal year 2017. Additional information regarding the lease arrangement can be found in Notes 5 and 8 on pages 30 and 34-35, 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 pages 40-41 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 pages 40-41 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 and a 30-year master property agreement for the Shuttle Landing Facility. Additional information can be found in Note 13 on pages 38-40 of this report.

Long-term debt. Space Florida entered into a loan agreement with a bank in the amount of \$17,500,000 in fiscal year 2017. The interest rate is 3.17% per year due monthly with a mandatory prepayment of the loan for pledged revenues received. Space Florida also entered into a loan agreement with a bank in the amount of \$17,500,000 in fiscal year 2014. The note was scheduled to mature on January 30, 2015, however, the note was 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

	9/30/17	9/30/16	9/30/15
Notes payable	\$ 28,696,252	\$16,430,554	\$ 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.

BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Space Florida Statements of Net Position

ptember 30,	2017	2016	
SETS			
Current assets			
Cash:			
Unrestricted	\$ 14,346,524	\$ 11,191,44	
Restricted	39,262,820	10,493,96	
Accounts receivable, net of allowance for uncollectible			
accounts of \$381,451 , and \$113,204			
at September 30, 2017 and 2016, respectively	636,177	1,080,89	
Due from other governments:			
Unrestricted	4,032,817	2,666,22	
Restricted	16,319,560	3,344,58	
Accrued interest receivable on loans receivable, net of allowance of	f		
\$624,438 and \$0 as of September 30, 2017 and 2016, respectively	/ 8,377	597,55	
Investments	4,840,170	4,278,77	
Loans receivable, net of allowance of \$1,998,000 and \$994,999			
as of September 30, 2017 and 2016, respectively	1,103,911	3,516,82	
Leases receivable, net of allowance of \$31,158 and \$0			
as of September 30, 2017 and 2016, respectively	-	839,90	
Prepaid rent, current	382,633	382,63	
Other current assets	988,139	1,163,83	
Total current assets	81,921,128	39,556,63	
Noncurrent assets			
Capital assets:			
Construction in progress	16,154,550	3,362,33	
Other capital assets, net of accumulated depreciation:			
SRMU storage facility	3,868,942	4,301,27	
Orion facility	22,604,464	23,828,83	
Reusable Launch Vehicle (RLV) hangar and			
office space	1,019,951	1,118,28	
Space Life Sciences Lab	16,102,523	17,077,91	
Furniture, equipment and vehicles	3,190,884	4,857,14	
Launch Complex 46	4,318,493	180,79	
Commercial Crew and Cargo Processing Facility	17,026,489	17,721,45	
Embraer Engineering & Technology Center	15,057,909	15,676,71	
Other facility	2,648,698	1,996,77	
Accrued interest receivable on loans receivable, noncurrent	20,592	14,38	
Loans receivable, net of allowance of \$442,491	-,	/	
at September 30, 2017 and 2016	2,203,441	1,148,80	
Leases receivable, net allowance of \$72,424 and \$0	_,	_,,00	
as of September 30, 2017 and 2016, respectively	-	102,23	
Prepaid rent, noncurrent	5,261,206	5,643,83	
Other noncurrent assets	1,500	1,80	
	109,479,642	97,032,57	
Total noncurrent assets	TOD'41 D'045		

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



Space Florida Statements of Net Position (Continued)

September 30,	2017	2016
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	7,058,791	1,468,195
Salaries payable	145,566	131,084
Unearned revenue	171,643	69,502
Compensated absences	98,825	74,713
Deposits	120,005	786,254
Payable from restricted assets:		
Accounts payable	17,762,109	9,655,786
Unearned revenue	8,057,718	3,653,765
Deposits	18,001,102	-
Notes payable	20,096,252	1,506,320
Total current liabilities	71,512,011	17,345,619
Noncurrent liabilities Deferred rent liability	897,147	621,102
Compensated absences	92,711	106,051
Notes payable	8,600,000	14,924,234
Payable from restricted assets:		
Unearned revenue	115,501	115,501
Total noncurrent liabilities	9,705,359	15,766,888
Total liabilities	81,217,370	33,112,507
NET POSITION		
Net Investment in capital assets	72,733,543	74,466,595
Restricted for:		
Special purpose	12,209,058	413,501
Unrestricted	25,240,799	28,596,606
Total net position	\$ 110,183,400	\$ 103,476,702

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

-<u>18</u>-34/99

Space Florida Statements of Revenues, Expenses, and Changes in Net Position

For the years ended September 30,	2017	2016
Operating revenues		
Fees and charges for services	\$ 5,445,184	\$ 4,092,780
State appropriated funding	21,209,740	18,860,226
Other grant revenue - operating	25,019,903	1,829,882
Federal grant revenue	-	343,155
Total operating revenues	51,674,827	25,126,043
Operating expenses		
Business development	35,380,292	17,647,856
Educational research	456,526	462,648
Operations	8,193,302	5,680,101
General and administrative	3,077,467	930,325
Depreciation	6,281,016	6,355,325
Total operating expenses	53,388,603	31,076,255
Income (Loss) from operations	(1,713,776)	(5,950,212)
Non-operating revenues (expenses)		
Interest income	254,397	285,227
State grant revenue- capital	8,657,807	86,468
Interest expense	(490,432)	(504,978)
Loss on investment	-	(17,821)
Loss on disposal of capital assets	(1,298)	(18,894)
Total non-operating revenues (expenses)	8,420,474	(169,998)
Change in net position	6,706,698	(6,120,210)
Net position, beginning of year	103,476,702	109,596,912
Net position, end of year	\$ 110,183,400	\$ 103,476,702



Space Florida Statements of Cash Flows

For the years ended September 30,	2017	2016
Cash flows from operating activities:		
Cash received from customers and users	\$ 7,751,763 \$	4,300,919
Cash paid to suppliers for goods and services	(29,384,457)	(12,757,067)
Cash payments to employees for services	(3,372,407)	(6,652,898)
Operating grant receipts	36,394,170	10,067,272
Net cash provided by (used in) operating activities	11,389,069	(5,041,774)
Cash flows from capital and related financing activities:		
Capital related grant receipts	8,657,807	14,786,226
Purchase and construction of capital assets	(18,157,202)	281,349
Proceeds from issuance of note payable	17,500,000	_
Principal paid on note payable	(5,234,302)	(2,355,931)
Proceeds from sale of capital assets	3,501	-
Deposit for construction of capital assets	18,001,102	-
Cash received on leases receivable	-	1,073,160
Net cash provided by capital		
and related financing activities	20,770,906	13,784,804
Cash flows from investing activities:		
Interest received	254,397	285,227
Interest paid	(490,432)	(504,978)
Loss on capital asset	-	(219,347)
Net cash used in investing activities	(236,035)	(439,098)
Net increase in cash	31,923,940	8,303,932
Cash, beginning of year	21,685,404	13,381,472
Cash, end of year	\$ 53,609,344 \$	21,685,404

Cash for the purposes of this statement consists of the following at September 30 2017 and 2016

Cash	\$ 14,346,524 \$	11,191,440
Restricted cash	39,262,820	10,493,964
Total cash	\$ 53,609,344 \$	21,685,404



Space Florida Statements of Cash Flows (continued)

For the years ended September 30,		2017	2016
Reconciliation of income (loss) from operations to net cash			
provided by (used in) operating activities:		((
Income (loss) from operations	Ş	(1,713,776) \$	(5,863,744)
Adjustment to reconcile Income (loss) from operations to net			
cash provided by operating activities			
Depreciation expense		6,281,016	6,355,325
Bad debt (recovery) expense		838,336	(10,139)
In-kind payment of rent		382,633	286,975
In-kind donation of improvements to Air Force		-	4,986,548
(Increase) decrease in assets:			
Accounts receivable		712,960	(349,567)
Due from other governments		(14,341,567)	(509 <i>,</i> 874)
Accrued interest receivable on loans receivable		582,966	(169,252)
Loans receivable		(206,126)	757
Lease receivable		838,566	-
Prepaid rent		-	95,658
Other assets		175,998	298,400
Increase (decrease) in liabilities:			
Accounts payable		13,696,919	(651,954)
Compensated absences		10,772	(12,627)
Salaries payable		14,482	31,163
Unearned revenue		4,506,094	(10,542,585)
Deposits		(666,249)	737,097
Rent payable		276,045	276,045
Total adjustments		13,102,845	821,970
Net cash provided by (used in) operating activities	\$	11,389,069 \$	(5,041,774)

SUMMARY OF NON-CASH INVESTING ACTIVITIES:

During the year ended September 30, 2017, a loan receivable for \$561,396 was converted into preferred stock (investment).

During the year ended September 30, 2016, Space Florida had an impairment of investments for \$17,821.



THIS PAGE IS INTENTIONALLY LEFT BLANK.

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 11-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.

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 and \$17,821(see custodial credit risk in Note 2) as of September 30, 2017 and 2016, respectively.

Accounts Receivable

The receivables are funds due to Space Florida from customers. Space Florida charges interest based on contract terms. An allowance of \$381,451 and \$113,204 was recorded at September 30, 2017 and 2016, 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.

Space Florida Notes to Financial Statements

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, 2017 and 2016, 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.

Space Florida Notes to Financial Statements

NOTE 2: CASH AND INVESTMENTS

At September 30, 2017 and 2016, the carrying amount of Space Florida's deposits was \$53,609,344 and \$21,685,404, respectively, and the bank balance was \$53,708,397 and \$21,826,187, 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.

	9/30/2017	9/30/2016
Demand deposits	\$ 53,609,344	\$ 21,685,404
Classified as:		
Cash	\$ 14,346,524	\$ 11,191,440
Restricted cash	39,262,820	10,493,964
	\$ 53,609,344	\$ 21,685,404

Cash at September 30, 2017 and 2016, consists of the following:

Credit risk

Florida Statue 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, 2017 and 2016, 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, 2017 and 2016, Space Florida had the following investments that were greater than 5% of their total investments:

	9/30/2017	9/30/2016
Ardusat Series – 315,675 shares of common stock	\$ 561,396	\$ -
Cella Acquisition Limited – 578,442 shares of common stock	500,000	500,000
Instant Eyes, Inc 20,000 shares of common		
stock Instant Eyes, Inc warrants to purchase 20,000	249,650	249,650
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	499,995
Total	\$ 4,757,991	\$ 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 \$4,840,170 and \$4,278,774 as of September 30, 2017 and 2016, 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 \$17,821 during the years ended September 30, 2017 and 2016, respectively.

NOTE 3: DUE FROM OTHER GOVERNMENTS

Due from other governments is comprised of \$20,352,377 and \$6,010,810 of State appropriations for operations at September 30, 2017 and 2016, respectively. At September 30, 2017 and 2016, \$16,319,560 and \$3,344,589 was restricted for infrastructure and operations, respectively.

Space Florida Notes to Financial Statements

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, 2017 and 2016 was \$8,377. During the years ended September 30, 2017 and 2016, 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, 2017 and 2016.

On September 28, 2017, Space Florida loaned Company 1 an additional \$90,000. Principal and interest is due September 2018. Interest is charged at 6.49% per year. Equipment and land are collateral on the loan. Management recorded an allowance of \$18,000 as of September 30, 2017.

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 was due in one payment on May 30, 2017. The interest accrues at a rate of 4%. Accrued interest at September 30, 2017 and 2016 was \$624,438 and \$461,699, respectively. Due to Company 2 filing bankruptcy, Space Florida's management has estimated a portion of the receivable will most likely not be collected and has recorded a total allowance of \$1,980,000 and \$990,000 at September 30, 2017 and 2016, respectively. Space Florida also fully allowed for the interest receivable as of September 30, 2017.

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, 2017 and 2016 was \$0. Space Florida's management has estimated a portion of the receivable will most likely not be collected and has recorded an allowance of \$0 and \$4,999 at September 30, 2017 and 2016, respectively. As of September 30, 2017, the loan has been paid in full.

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. Accrued interest at September 30, 2017 and 2016 was \$0 and \$75,616 respectively. In February 2017, the loan was sold to an investor for approximately \$1,100,000 and is no longer outstanding as of September 30, 2017.

NOTE 4: LOANS RECEIVABLE (Continued)

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, converted the unpaid principal and accrued interest into nonassessable shares of preferred stock. Accrued interest at September 30, 2017 and 2016 was \$0 and \$51,863, respectively. Space Florida's management recorded no allowance at September 30, 2017 and 2016.

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, 2017 and 2016 was \$20,592 and \$14,380. 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, 2017 and 2016.

Space Florida entered into a loan with another company (Company 7) and loaned them \$1,000,000 on March 29, 2017. Personal property and equipment are collateral on the loan. The loan accrues interest at 2% per year. The loan requires 48 monthly interest only payments of \$1,666 and then 12 monthly principal and interest payments of \$83,333. Management has estimated the receivable will be collected. There is no accrued interest as of September 30, 2017.

Space Florida entered into a loan with another company (Company 8) and loaned them \$74,480 on March 1, 2017. Equipment and land are collateral on the loan. The loan accrues interest at 2.10% per year. The loan requires 72 monthly principal and interest payments of \$1,101. Any outstanding balance is due February 1, 2023. Management has estimated the receivable will be collected. There is no accrued interest as of September 30, 2017.

Name	9/30/	201	17	9/30/	9/30/2016	
	Principal		Accrued	Principal		Accrued
			Interest			Interest
Company 1	\$ 1,526,001	\$	8,377	\$ 1,436,001	\$	8,377
Company 2	3,000,000		624,438	3,000,000		461,699
Company 3	-		-	11,821		-
Company 4	-		-	1,000,000		75,616
Company 5	-		-	500,000		51,863
Company 6	155,291		20,592	155,291		14,380
Company 7	1,000,000		-	-		-
Company 8	66,551		-	-		-
Less allowance	(2,440,491)		(624,438)	(1,437,490)		-
Totals	\$ 3,307,352	\$	28,969	\$ 4,665,623	\$	611,935

Loans receivable are as follows at September 30, 2017 and 2016:

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 lease was fully paid during fiscal year 2017.

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 \$103,582 and \$134,124 on the Statement of Net Position at September 30, 2017 and 2016, 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, 2017 and 2016, \$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, 2017 and 2017 and 2016, there was \$0 and \$0, 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. Management is not confident they will receive the lease receivable amounts and has recorded an allowance of \$103,582 and \$0, as of September 30, 2017 and 2016, respectively.

The future operating lease cash payments are as follows:

Year ending September 30,	Principal	Interest	Total
2018	101,624	17,134	118,758
2019	103,675	15,084	118,759
Totals	\$ 205,299	\$ 32,218	\$ 237,517

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

			20	017			
	Balance						Balance
	September						September 30,
	30, 2016		Increases		Decreases		2017
Capital assets, not being							
depreciated							
Construction in progress	\$ 3,362,333	\$	17,710,203	\$	(4,917,986)	\$	16,154,550
Total capital assets not being							
depreciated	3,362,333		17,710,203		(4,917,986)		16,154,550
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	27,077,931		113,682		-		27,191,613
Launch complex 46	512,872		4,243,218		-		4,756,090
EETC – Melbourne Airport	16,707,735		-		-		16,707,735
C3PF	18,763,941		-		-		18,763,941
Furniture, equipment and vehicles	10,162,344		216,685		(181,633)		10,197,396
Other facilities	2,224,357		791,400		-		3,015,757
Total capital assets being							
depreciated	120,792,606		5,364,985		(181,633)		125,975,958
Less accumulated depreciation for:							
SRMU storage facility	(4,313,099)		(432,332)		-		(4,745,431)
RLV hangar and office space	(3,578,700)		(98,333)		-		(3,677,033)
Orion facility	(8,203,233)		(1,224,372)		-		(9,427,605)
Space Life Sciences Lab	(10,000,017)		(1,089,073)		-		(11,089,090)
Launch complex 46	(332,076)		(105,521)		-		(437,597)
EETC – Melbourne Airport	(1,031,021)		(618,805)		-		(1,649,826)
C3PF	(1,042,491)		(694,961)		-		(1,737,452)
Furniture, equipment and vehicles	(5,305,200)		(1,878,146)		176,834		(7,006,512)
Other facilities	(227,586)		(139,473)		-		(367,059)
Total accumulated depreciation	(34,033,423)		(6,281,016)		176,834		(40,137,605)
Total capital accets hains							
Total capital assets, being	06 760 100		(016 024)		(4 700)		00 000 000
depreciated, net	86,759,183	ć	(916,031)	~	(4,799)	~	85,838,353
Capital assets, net	\$ 90,121,516	\$	16,794,172	\$	(4,922,785)	\$	101,992,903

NOTE 6: CAPITAL ASSETS (Continued)

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

		201	.6		
	Balance				Balance
	September				September
	30, 2015	Increases		Decreases	30, 2016
Capital assets, not being					
depreciated					
Construction in progress	\$ 6,789,336	\$ 2,057,886	\$	(5,484,889) \$	3,362,333
Total capital assets not being					
depreciated	6,789,336	2,057,886		(5,484,889)	3,362,333
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	148,839		-	27,077,931
Launch complex 46	506,017	6,855		-	512,872
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	281,479		(78,043)	10,162,344
Other facilities	1,993,104	231,253		-	2,224,357
Total capital assets being					
depreciated	120,186,570	684,079		(78,043)	120,792,606
Less accumulated depreciation for:					
SRMU storage facility	(3,880,379)	(432,720)		-	(4,313,099)
RLV hangar and office space	(3,506,602)	(72,098)		-	(3,578,700)
Orion facility	(6,978,861)	(1,224,372)		-	(8,203,233)
Space Life Sciences Lab	(8,928,023)	(1,071,994)		-	(10,000,017)
Launch complex 46	(247,569)	(84,507)		-	(332,076)
EETC – Melbourne Airport	(322,076)	(708,945)		-	(1,031,021)
C3PF	(217,237)	(825,254)		-	(1,042,491)
Furniture, equipment and vehicles	(3,538,900)	(1,825,449)		59,149	(5,305,200)
Other facilities	(117,597)	(109,989)		-	(227,586)
Total accumulated depreciation	(27,737,244)	(6,355,328)		59,149	(34,033,423)
Total capital assets, being					
depreciated, net	92,449,326	(5,671,249)		(18,894)	86,759,183
Capital assets, net	\$ 99,238,662	\$ (3,613,363)	\$	(5,503,783) \$	90,121,516

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, 2017 and 2016 was \$0 and \$808,024, respectively. Payment of principal and interest on the note payable was 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, 2017 and 2016 was \$12,588,280 and \$15,622,530, 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, 2017 and September 30, 2018, and will require approximately 87% of appropriations for the year ending September 30, 2017.

On April 25, 2017, Space Florida borrowed \$17,500,000. Interest accrues at 3.17% per year and interest is due monthly. There is a mandatory prepayment of the loan for any pledged revenues (grant funds) received. During the year ending September 30, 2017, \$7,376,333 of pledged revenues were earned. The total grant award is for \$17,500,000. In the event that any principal or interest is outstanding at December 31, 2018, the loan can be converted into a loan with a 5 year repayment term at 4% interest.

Year ending September 30,	Principal	Interest	Total
2018	\$ 20,096,252	\$ 651,736	\$ 20,747,988
2019	8,600,000	127,656	8,727,656
Totals	\$ 28,696,252	\$ 779,392	\$ 29,475,644

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

NOTE 7: LONG-TERM DEBT (Continued)

Changes In Long-Term Liabilities

Long-term lia	ability	/ activ	vity for the Balance	yea	ars	ended Sept	em	ber 30, 2017	and	d 2016, was a Balance	as f	ollows:
		Sep	tember 30,						Se	ptember 30,		Due Within
			2016		A	Additions		Reductions		2017		One Year
Notes payable Compensated	\$		16,430,554	\$		17,500,000	\$	(5,234,302)	\$	28,696,252	\$	20,096,252
absences			180,764			126,500		(115,728)		191,536		98,825
Total	\$		16,611,318	\$		17,626,000	\$	(5,350,330)	\$	28,887,788	\$	20,195,077
		S	Balan eptember 3						Se	Balance ptember 30,		Due Within
			201			Additions		Reductions	50	2016		One Year
Notes payable		\$	18,786,48	35	\$	-	\$	(2,355,931)	\$	16,430,554	\$	3,253,067
Compensated a	bsend	ces	193,39	91		136,663		(149,259)		180,764		170,169
Total		\$	18,979,87	76	\$	85,808	\$	(2,012,098)	\$	16,611,318	\$	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, 2017 and 2016, respectively, the outstanding balance was approximately \$36,713,844 and \$44,939,061, 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, 2017 and 2016, the outstanding balance on Space Florida assisted financing was approximately \$31,391,857 and \$40,861,787, 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, 2017 and 2016 under Phase 1, the outstanding balance on Space Florida assisted financing was \$15,105,765 and \$17,714,889, 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 years ended September 30, 2017 and 2016, Space Florida recorded a lease expense of \$115,703. 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 years ended September 30, 2017 and 2016, Space Florida recorded lease revenue of \$115,703. 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 years ended September 30, 2017 and 2016, Space Florida recorded lease revenue of \$731,242 and \$643,705, respectively.

The SRMU storage facility was constructed on land owned by the State of Florida Armory Board. The annual land use fee for the years September 30, 2017 and 2016 is approximately \$282,835 and \$277,971, respectively, and is payable by Space Florida in monthly installments of approximately \$23,878. The future minimum lease payments are \$2,695,231 through June 30, 2026.

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 \$3,868,942, and \$4,301,274 as of September 30, 2017 and 2016, respectively. However, management believes the current tenant will continue to renew the lease. Accordingly, no impairment loss has been recorded as of September 30, 2017 and 2016.

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 years ended September 30, 2017 and 2016, Space Florida recorded administrative fee revenue of \$580,022 and \$580,022, respectively. The future minimum administrative fees are \$580,022 each year through June 30, 2021.

During the years ended September 30, 2017 and 2016, Space Florida recorded operations and maintenance expenses related to the C3PF facility of \$724,643 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, 2017 and 2016 was \$16,102,523 and \$17,077,914, respectively. During the years ended September 30, 2017 and 2016, Space Florida recorded lease and service revenue of \$747,570 and \$567,133, 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 \$74,200 and \$61,833 for the years ended September 30, 2017 and 2016.

During the years ended September 30, 2017 and 2016, Space Florida recorded operations and maintenance expenses, including rent, related to the SLSL facility of \$3,033,500 and \$2,854,581, 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 \$518,935 and \$106,191 for the years ending September 30, 2018 and 2019, 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 began July 1, 2014, when Phase 1 was available to be utilized. Rent expense was are \$476,396 and \$464,776 during the year ended September 30, 2017 and 2016, respectively, and escalates 2.5% annually. 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, 2017 and 2016, and \$5,261,206 and \$5,643,839 of prepaid rent noncurrent, as of September 30, 2017 and 2016, 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 years ended September 30, 2017 and 2016, the straight-line rent expense was \$658,678. The difference between the annual rent expense and the prepaid rent applied results in a cumulative deferred rent liability of \$897,147 and \$621,102 as of September 30, 2017 and 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 results in additional in-kind credits toward future cash payments referenced above.

NOTE 13: RIGHTS AND ACCESS (Continued)

<u> Area 57 - East</u>

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 years ended September 30, 2017 and 2016, Space Florida recorded operations and maintenance expenses, related to Area 57, of \$3,924 and \$11,119, 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, 2017 and 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 years ended September 30, 2017 and 2016 were \$521,321 and \$513,605, respectively, and represented 15% of total eligible employee gross compensation for each period.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Commitments

Contract commitments at September 30, 2017 was \$67,880,775 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 91% and 67% of its total revenues from State legislative appropriations and grants during the years ended September 30, 2017 and 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
- 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.

SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Space Florida Schedule of Travel, Business Meals and Incidental Expenses

For the year ended September 30,	2017	2016
Domestic:		
Travel and incidental (1)	\$ 133,925 \$	171,387
Business meals	29,052	47,174
Total domestic	162,977	218,561
Foreign:		
Travel and incidental (1)	60,143	48,511
Business meals	3,620	1,190
Total foreign	63,763	49,701
Total	\$ 226,740 \$	268,262

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.



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

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

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, 2017 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 28, 2018.

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 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.

Can, Rigge & Ingram, L.L.C.

Melbourne, Florida June 27, 2018



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

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 FINANICAL 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, 2017. 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 statues, 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, 2017.

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.

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 a 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 deficiencies, in internal control over combination of deficiencies, in internal control over 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 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.

Can, Rigge & Ingram, L.L.C.

Melbourne, Florida June 27, 2018

Space Florida Schedule of Findings and Questioned Costs For the year ended September 30, 2017

Section I–Summary of Auditors' Results

Financial Statements			
Type of auditors' report issued:	Unmo	dified	
 Internal control over financial reporti Material weakness(es) identif Significant deficiency(ies) identificant 	ied?	yes yes	<u>X</u> no <u>X</u> none reported
Noncompliance material to financial	statements noted?	yes	<u>X_</u> no
State Projects			
 Internal control over major state proj Material weakness(es) identif Significant deficiency(ies) identificant 	ied? ntified?	yes yes	<u>X</u> no <u>X</u> none reported
Type of auditors' report issued on con State projects:	npliance for major	Unmo	dified
Any audit findings disclosed that are r Reported in accordance with Chapte	•	yes	<u>X</u> no
Identification of major state projects:			
<u>State CSFA Numbers</u> 55.004 55.037	<u>State Project or Cluster 2017</u> Aviation Grant Program Spaceport Improvement Prog	ram	

Dollar threshold used to distinguish between type A and B programs was \$1,679,529 for major state projects.

Space Florida Schedule of Findings and Questioned Costs (continued) For the year ended September 30, 2017

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, 2017

State Agency			•	,
Pass-through entity,	CSFA			Transfer t
State Project	Number	Contract/Grant Number	Expenditures	Subrecipient
itate Programs*				
lorida Department of Economic Opportunity				
Direct Projects				
Economic Development Partnership, Israel	40.040	SB-14-009	\$ 20,000	\$-
Economic Development Partnership, Israel	40.040	SB-17-009	1,000,000	-
Economic Development Partnership, Israel	40.040	SB-18-009	38,856	-
Economic Development Partnership,				
Space Tourism	40.040	SB-17-010	1,500,000	-
Economic Development Partnership,				
Operations	40.040	SB-17-008	7,717,414	-
Economic Development Partnership,				
Operations	40.040	SB-18-008	2,875,000	-
Economic Development Partnership,				
Financing Project	40.040	SB-14-011	1,111,827	-
Economic Development Partnership,				
Financing Project	40.040	SB-17-011	6,518,495	-
Economic Development Partnership,				
Financing Project	40.040	SB-18-011	645,564	-
Total CSFA number 40.040			21,427,156	-
Total Florida Department of Economic Oppo	rtunity		21,427,156	-
- Iorida Department of Transportation				
Direct Projects				
Aviation Grant Programs	55.004	FM/#430124-1-94-03	1,895,157	_
Aviation Grant Programs	55.004 55.004	FM# 430254-1-12-01	120,164	_
Aviation Grant Programs	55.004 55.004	FM# 430254-1-14-01	17,203	_
Spaceport Improvement Program	55.037	FM# 435320-1-94-01	2,943,452	2,943,452
Spaceport Improvement Program	55.037	FM/#435320-1-94-02	147,861	147,86
Spaceport Improvement Program	55.037	FM# 435257-1-14-01	63,607	
Spaceport Improvement Program	55.037	FM# 435320-1-94-03	9,407,418	9,407,41
Spaceport Improvement Program	55.037	FM# 437806-1-94-01	10,000,000	10,000,00
Spaceport Improvement Program	55.037	FM# 435257-1-14-02	1,166,061	
Spaceport Improvement Program	55.037	FM# 435257-1-14-03	115,413	-
· · · · · · · · · · · · · · · · · · ·		FM# 435322-1-94-01 &	,	
Spaceport Improvement Program	55.037	FM # 434862-1-94-01	7,376,333	-
Spaceport Improvement Program	55.037	FM# 430124-4-94-02	804,482	804,48
Spaceport Improvement Program	55.037	FM# 435320-1-94-04	500,000	500,00
Total Florida Department of Transportation			34,557,151	23,803,213

Total Expenditures of State Financial Assistance

\$ 55,984,307 \$ 23,803,213

Space Florida Schedule of Expenditures of State Financial Assistance For the year ended September 30, 2017

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.



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

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

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, 2017, and have issued our report thereon dated June 27, 2018.

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 Reporting Requirements

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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 27, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(I)(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(I)(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 Condition and Management

Section 10.554(I)(i)5.a., and 10.556(7) Rules of the Auditor General, require that we apply appropriate procedures and communicate 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 to identify 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 for Space Floirda. 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.

Section 10.5534(1)(i)2, Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(I)(i)5.b., and 10.556(7) Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for Space Florida for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.544(1)(i)5.d, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statues.

Additional Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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.

Can, Rigge & Ingram, L.L.C.

Melbourne, Florida June 27, 2018 THIS PAGE IS INTENTIONALLY BLANK.



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

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

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WTH 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, 2017. Management of Space Florida is responsible for Space Florida's compliance with the specified requirements. Our responsibility is to express an opinion on Space Florida's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Space Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Space Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including as assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide 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 requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017.

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.

Can, Rigge & Ingram, L.L.C.

Melbourne, Florida June 27, 2018





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

June 27, 2018

To the Board of Directors Space Florida

We are pleased to present the results of our audit of the 2017 financial statements of Space Florida for the year ended September 30, 2017.

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 2017 financial statements for the fiscal year ended September 30, 2017. 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 321.426.3039 or cnollrhan@cricpa.com.

Very truly yours,

Imiter & Noll Plan

Christine E. Noll-Rhan, CPA Partner Carr, Riggs & Ingram, LLC

78/99

As discussed with management during our planning process and communicated to the Board of Directors in our engagement letter to you dated August 8, 2017 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 September 30, 2017. 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 September 30, 2017.
- 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.

We have audited the financial statements of Space Florida for the year ended September 30, 2017, and have issued our report thereon dated June 27, 2018. Professional standards require that we communicate to you the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	As stated in our engagement letter dated August 8, 2017, 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. Required supplementary information, such as management's discussion analysis and schedule of travel, entertainment and incidental expenses is required by general accepted accounted principals and will be subjected to certain limited procedures, but will not be audited.
	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</i> <i>Florida Single Audit Act, and Chapter 10.550, Rules of</i> <i>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.
Client's responsibility	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.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Management judgments and accounting estimates 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.	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures Major risks and exposures facing Space Florida and how they are disclosed.	No such risks or exposures were noted.
 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 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. 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. 	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. 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.
Significant difficulties encountered in the audit Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.	None.
Disagreements with management 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.	None.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Other findings or issues Matters significant to oversight of the financial reporting practices by those charged with governance.	None.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management Conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.	None.
Corrected misstatements <i>Professional standards require us to accumulate all</i> <i>misstatements identified during the audit, other than</i> <i>those that are clearly trivial, and communicate them</i> <i>to the appropriate level of management.</i>	None.
Major issues discussed with management prior to retention Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.	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.
Consultations with other accountants When management has consulted with other accountants about significant accounting or auditing matters.	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.
Written representations A description of the written representations the auditor requested (or a copy of the representation letter).	See "Management Representation Letter" section.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Fraud and illegal acts 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.	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.	 Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: Such information is materially inconsistent with the financial statements; and We believe such information represents a material misstatement of fact. We have audited the supplemental schedules included in the financial statements. We were not provided with any other documents containing the financial statements.

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.
Impairment of 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. Management does evaluate the investments annually for impairment based upon financial data provided by the companies.	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.

84/99

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

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Allowance for Doubtful Accounts	Estimation of Allowance	Yes	Space Florida relies on historical trends for the estimation of the allowance amount, based on a detailed management review of receivable balances.	Space Florida's policies are in accordance with all applicable accounting guidelines.
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.
Prepaid Rent	Valuation of in-kind rent payment	Yes	Space Florida prepaid some of the rent with capital improvements to Exploration Park. The value of in-kind rent payments and were valued by NASA. The prepaid rent is being expensed on a straight-lined basis over the life of the lease.	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.

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 limitedobligation 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.

June 27, 2018

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

This representation letter is provided in connection with your audit(s) of the financial statements of Space Florida, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows for the September 30, 2017 then ended, and the related notes to the financial statements, for the purpose of expressing opinions 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 June 27, 2018, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 8, 2017, 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 adjustment or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter

87/99

Management Representation Letter - Draft

that would require adjustment to or disclosure in the aforementioned financial statements, except as disclosed.

- 8) We are not aware of any pending or threatened litigation, claims or assessments or un-asserted 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 the 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 federal awards].
- 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 all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

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, and 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 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 and schedule of expenditures of state financial assistance. 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 and 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 are properly valued, and we do not believe that the stocks and warrants 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

89/99

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.
- 36) With respect to state programs:
 - a) We are responsible for understanding and complying with and have complied with, the requirements of Chapter 10.550, (Florida Single Audit Act) including requirements relating to preparation of the schedule of expenditures of state financial assistance.
 - b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of state awards (SEFA) and related notes in accordance with the requirements of the Florida Single Audit Act, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Florida Single Audit Act. 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 the Florida Single Audit Act compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by state agencies in the form of state awards, state 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 state statutes, regulations, and the terms and conditions of state awards related to each of our state programs and have identified and disclosed to you the requirements of state statutes, regulations, and the terms and conditions of state awards that are considered to have a direct and material effect on each major program.
 - e) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for state programs that provides reasonable assurance that we are managing our state awards in compliance with state statutes, regulations, and the terms and conditions of state awards that could have a material effect on our state programs. We believe the internal control system is adequate and is functioning as intended.
 - f) We have made available to you all state awards (including amendments, if any) and any other correspondence with state agencies or pass-through entities relevant to state programs 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 the *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 auditor's report.
 - j) Amounts claimed or used for matching were determined in accordance with relevant guidelines in *the Florida Single Audit Act.*

Management Representation Letter - Draft

- k) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- I) We have made available to you tall documentation related to compliance with the direct and material compliance requirements, including information related to compliance requirements, including information related to state project financial reports and claims for advance and reimbursements.
- 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 auditor's 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 program 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 program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective state agency or pass-through entity, as applicable.
- r) We have monitored subrecipients, as necessary, to determine that they have expended passthrough 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 recipient 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. We have charged costs to state awards in accordance with applicable cost principles.
- u) We have charged the cost of state projects in accordance with applicable cost principals.
- 37) Space Florida is in compliance with Florida Statute 218.415, local government investment policies, in all respects.
 - a) We are responsible for establishing and maintaining effective internal control over compliance.
 - b) We have performed an evaluation of the Space Florida 's compliance with Florida Statute 218.415, local government investment policies.
 - c) All relevant matters are reflected in the measurement or evaluation of Space Florida 's compliance with the specified requirements.
 - d) We are responsible for selecting the specified requirements and for determining that the specified requirements are appropriate for our purposes.
 - e) We have provided you with all relevant information and access to information and personnel in connection with your examination of compliance with Florida Statute 218.415, local government investment policies.
 - We have disclosed to you all known matters that may contradict Space Florida 's compliance with f) the specified requirements and we have disclosed to you all communications from regulatory agencies, internal auditors, other independent accountants or consultants, and others regarding possible noncompliance with Florida Statute 218.415, local government investment policies,

91/99

Management Representation Letter - Draft

including communications received between September 30, 2017 and the date of the examination report.

g) We have responded fully to all inquiries made to us by you during the engagement.

Signature:	Signature:
Title:	Title:

Recent Press Releases





Media Contact: Sara Shell Space Florida Telephone: 321-730-5301 ext. 221 Email: sshell@spaceflorida.gov

Space Florida, Florida Venture Forum Announce the Inaugural Florida Aerospace Capital Forum

The event will take place at the Guidewell Innovation Center in Lake Nona

Exploration Park, Miami and Tampa, Fla. (August 29, 2018) – Space Florida and the Florida Venture Forum, Florida's largest statewide support organization for investors and entrepreneurs, are pleased to announce the inaugural Florida Aerospace Capital Forum on November 14 at the Guidewell Innovation Center in Lake Nona.

The Florida Venture Forum is looking for companies in the following industries to present at the event: Aircraft and spacecraft design, parts and assembly, advanced materials and new products, engineering design and construction, structural materials and electronic assembly, artificial intelligence, information technology, data analytics, satellite communications, payload development, robotics - parts, design and assembly, unmanned aerial vehicles, cyber security, surveillance, 3D printing and innovation, radiation protection, reconnaissance, & missile development.

In addition to the opportunity to present before an audience of active equity investors, eligible presenting companies will be considered for the Accelerating Innovation (AI) Award offered by Space Florida, a cash prize totaling \$100,000.

This event is an opportunity to broaden the spectrum of early stage, Florida-based aerospace and aviation companies and entrepreneurs, (as well as non–Florida entities with commitments to relocate), while engaging the industry with the Florida Venture Forum investment community, including private equity, venture capital and angel investors.

Harris Corporation, as the worldwide leader in aviation and aerospace, will also be partnering to contribute to the success of this event.

"Space Florida is pleased to welcome Harris Corporation to the capital acceleration collaboration with Florida Venture Forum for the first-ever Aerospace Capital Forum," said Space Florida President Frank DiBello. "From an industry standpoint, the sponsorship and support of Harris is a tremendous addition to an already thriving capital formation ecosystem anchored by the Florida Venture Forum. We look forward to working with Harris and the increasing expanding capital community in Florida on this upcoming event."

"Florida Venture Forum and Space Florida have partnered several times to feature dynamic, cutting edge Florida companies from a variety of industries and connect them with capital sources and other

services they need to grow and scale," said Kevin Burgoyne, the Forum's president and CEO. "The Florida Aerospace Capital Forum, and the support of Harris Corporation, mark a new and exciting evolution of that partnership, focusing on one of Florida's fastest growing and important industries."

For more information, visit <u>www.flventure.org</u>.

###

About Space Florida: Space Florida was created to strengthen Florida's position as the global leader in aerospace research, investment, exploration and commerce. As Florida's aerospace and spaceport development authority, we are committed to attracting and expanding the next generation of space industry businesses. With its highly trained workforce, proven infrastructure and unparalleled record of achievement, Florida is the ideal location for aerospace businesses to thrive – and Space Florida is the perfect partner to help them succeed. <u>www.spaceflorida.gov</u>.

About The Florida Venture Forum: The Florida Venture Forum is Florida's largest statewide support organization for investors and entrepreneurs, helping emerging Florida companies connect with sources of capital from across the country. The organization provides programs statewide throughout the year in addition to hosting the Florida Venture Capital Conference, the Statewide Collegiate Business Plan Competition and the Early Stage Capital Conference. <u>www.flventure.org</u>.

About Harris Corporation: Harris Corporation is a leading technology innovator, solving customers' toughest mission-critical challenges by providing solutions that connect, inform and protect. Harris supports government and commercial customers in more than 100 countries and has approximately \$6 billion in annual revenue. The company is organized into three business segments: Communication Systems, Electronic Systems and Space and Intelligence Systems. Learn more at <u>www.harris.com</u>.

###



For Immediate Release

Media Contacts: Sara Shell Space Florida 321-730-5301 x221 sshell@spaceflorida.gov

Jonathan Cohen Israel Innovation Authority +972-3-511-8155 jonathan@matimop.org.il

Space Florida and Israel Innovation Authority Announce Sixth Joint Call for Projects

Another \$2 Million in Research Fund Available for Viable Proposals Applications Accepted Until February 1, 2019

EXPLORATION PARK, Fl. (August 27, 2018) – Space Florida and the Israel Innovation Authority (OCS) have issued a new joint call for project proposals valued at \$2 million in research and development funding.

This is the sixth year that Space Florida and the Israel Innovation Authority (OCS) are conducting the competition. In October 2013, Florida and Israel initiated an annually recurring \$2 million joint program to support research, development and commercialization of aerospace and related technology projects that benefit both Israel and the State of Florida. The projects approved to date encompass a wide range of promising research, including the development of next generation 3D printed circuit systems, unmanned aerial systems (UAS), innovative radiation shielding technology, next-generation capacitors to power spacecraft, and identifying specific changes in human muscle and immune cells to model disease in reduced gravity environments.

Israeli and Florida-based for-profit companies are asked to present cooperative proposals, which will be vetted for feasibility. Funding will be awarded to those companies demonstrating promising partnerships and near-term potential for commercialization and economic benefit to both states.

Applying teams must submit a completed application, including a Bi-Lateral Cooperation form that describes the project and the collaboration envisioned between the Florida company and the Israeli company. Applications open on August 27, 2018, and are due to Space Florida and Israel Innovation Authority (OCS) no later than February 1, 2019. The applications are independently evaluated and scored by Space Florida and the Israel Innovation Authority (OCS), which then jointly agree which applications will be funded.

Applicants must present a proposal that incorporates joint R&D projects in any of the following technological fields:

- Satellite Communication
- Small Satellite Technology and Small Launch Vehicles
- Space Research Related Sensor Technology (including bio-sensors)
- Nano-Materials and Coatings for Space Applications
- Electric Power Resources for Space Applications
- Microgravity Research related to Human Life Sciences
- Unmanned Aerial Systems
- Nano-, Flex- and Low-Power Electronics
- Micro- and Nano-Robotics
- 3D Printing
- Airborne Radiation Sensing
- Fuel Cells
- Super Capacitors
- And other Space and Aerospace-Related Research

"Our Florida-Israel Innovation Partnership continues to flourish, promoting aerospace and technologies industries as well as economies in both Florida and Israel," said Space Florida President Frank DiBello. "We look forward to seeing the success stories and collaborations that come out of this Sixth Call for Projects, which will further strengthen the global influence of Florida and Israel."

"The Israel – Florida strong collaboration has demonstrated great success stories since its establishment in 2013," said Aharon Aharon, Israel Innovation Authority CEO. "As we are now announcing the sixth call, I am sure this cooperation will generate even greater partnerships and innovative technologies that will bear relevance to the population worldwide. The Israel Innovation Authority is looking forward to expanding industrial and technological collaborations and strengthening the economic ties between Israel and Florida."

More information can be found at www.spaceflorida.gov/israelpartnership.

###

About Space Florida: Space Florida was created to strengthen Florida's position as the global leader in aerospace research, investment, exploration and commerce. As Florida's aerospace and spaceport development authority, we are committed to attracting and expanding the next generation of space industry businesses. With its highly trained workforce, proven infrastructure and unparalleled record of achievement, Florida is the ideal location for aerospace businesses to thrive – and Space Florida is the perfect partner to help them succeed. <u>www.spaceflorida.gov</u>

About Israel Innovation Authority:

The Israel Innovation Authority is Israel's central agency to manage the country's governmental support of the resource of innovation. As the governments' operational arm in the arena of technological

innovation and R&D, the goal of the Authority is to provide professional support and infrastructure to government efforts to encourage innovation in all industry sectors, complementing the major role that Israel already plays in the global high-tech sector.

The Israel Innovation Authority has three main roles: creating infrastructure to support diverse industries, developing tools and programs that suit the needs of the industry, and budgeting and financing high-risk projects and products. In addition to these roles, the Authority serves as a central hub for knowledge and consists of six customer-oriented "Innovation Divisions," each providing a variety of tools for each market segment and stage in the life cycle of a product: Technological Infrastructure, Advanced Manufacturing, International Collaborations, Societal Challenges, Growth and Early Stage.

Space Florida would like to extend its most sincere congratulations and thanks to retiring Brig. Gen. Wayne Monteith for his contributions and service to the Cape Canaveral Spaceport. Since the beginning of the Space Age in Florida, few individuals have left a more significant legacy of transformation at the Cape.

The milestones accomplished on his watch are likely unmatched in the history of spaceport operations. Monteith oversaw 66 launch campaigns, the first return of a SpaceX launch booster to the Cape and 25 total landings as well as the launch of the Falcon Heavy. In addition to being major technical achievements, these achievements were also amazing spectacles that dazzled the Space Coast, and the world. But no less significant was the first use of the Autonomous Flight Safety System which will forever improve the efficiency of space launch activity.

"Space Florida has been deeply appreciative of the bold leadership and contributions of General Monteith," said Space Florida President Frank DiBello. "He has been a true friend and partner in the mission of the Cape whose contributions will benefit all those who launch from the Cape for many, many years into the future."