

Peggy Bielby

From: Peggy Bielby
Sent: Tuesday, March 19, 2024 10:16 AM
To: Peggy Bielby
Subject: FW: Updated Draft Financial Statements - LCRDA Audit Committee Meeting - March 19, 2024
Attachments: B1-B2 2nd Draft Financial Statements.pdf
Importance: High
Categories: Audit

THIS EMAIL IS BEING SENT AS A BLIND CARBON COPY TO THE LEON COUNTY RESEARCH & DEVELOPMENT AUTHORITY BOARD OF GOVERNORS AUDIT COMMITTEE

Please see the email below – we will discuss at the Audit Committee meeting at 11:00am. Thank you.

From: Chandler Russell <crussell@thf-cpa.com>
Sent: Tuesday, March 19, 2024 9:55 AM
To: Michael Kramer <mkramer@inn-park.com>; Ayne Markos <amarkos@inn-park.com>
Cc: Peggy Bielby <pb Bielby@inn-park.com>
Subject: Updated Draft

Good morning,

I have attached an updated draft with the updates from the subsequent event. I know the Board received the version before this is in the board packet. Allison will be presenting via Zoom today and I wanted to send this over to you all to see if it was possible to remit in an email for them to have available during todays meeting? The only changes are summarized below:

- Page 15 (pdf page 17) – Subsequent event note
- Page 29 (pdf page 31) – Note 4 additional paragraph for MOU
- Page 31 (pdf page 33) – Note 5 disclaimer under future rentals, MOU

Thank you!



Chandler Russell, CPA*

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Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)**Capital Assets (continued)**

Beginning October 1, 1986, capital outlays for the construction of streets, parks, water and sewer lines, and other types of infrastructure expenditures are capitalized and included in improvements. To date, all such completed projects have been transferred to and accepted by the City of Tallahassee.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and the Retiree Health Insurance Subsidy (HIS) and addition to/deduction from the FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Amortization

The costs of obtaining various building studies are capitalized as finite-lived intangible assets and amortized over the life of the asset using the straight line method.

Subsequent Events

The Authority has evaluated subsequent events through NEED DATE, the date the financial statements were available to be issued. During the period from September 30, 2023 to NEED DATE, the Authority did not have any material recognizable subsequent events other than described in Note 4.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

Notes to Financial Statements

4. Commitments and Contingencies (continued)

North Florida Innovation Labs Facility (NFIL) – On September 17, 2020, the Authority was awarded a grant for approximately \$10 million from the U.S. Department of Commerce, Economic Development Administration (the EDA), and had designated \$470,563 in cash and cash equivalents for matching funds at September 30, 2022. Effective March 2022, the EDA increased the grant award to approximately \$12.4 million. The Authority has also received commitments for matching funds from other parties totaling \$5.1 million. The funds will be used to build a 40,000 square feet business incubator on Authority land in Innovation Park. Design work on the project began in April 2021 with construction beginning in May 2022 and completion required within the following 30 months. At September 30, 2023 and 2022, \$20,561,158 and \$5,283,297 had been expended on the project, respectively, and is included in construction in progress in the accompanying statements of net position. Grant income related to this project for the years ended September 30, 2023 and 2022 totaled \$12,816,570 and \$4,285,035, respectively, and is included in grant and other income on the accompanying statements of revenues, expenses, and changes in net position. The Authority recorded an amount due from the EDA of \$1,239,668 and \$3,315,936 at September 30, 2023 and 2022, respectively, which is included in accounts receivable on the accompanying statements of net position.

On March 30, 2022, the Authority entered into a line of credit loan agreement with the Florida State University Research Foundation to provide the Authority funds to assist in the construction of the NFIL. The line of credit consists of two notes for \$3,000,000 and \$1,000,000 at annual fixed interest rates of 2.98% and 4.5%, respectively. The line of credit can be drawn on at the earlier of 15 months post construction based on certificate of occupancy or 90 months from loan execution. The first year of payments will be interest only due beginning on February 28, 2025 with the remainder of the loan amortized over 12 years beginning of February 28, 2026. The balance due on the line of credit at September 30, 2023 is \$2,729,783, which includes accrued interest of \$29,783.

In December 2023, the Authority executed a non-binding Memorandum of Understanding (MOU) with the Florida Agricultural and Mechanical University (FAMU) Board of Trustees and Florida State of University (FSU) Board of Trustees where the Authority would assign its interest in the buildings, improvements, and land located at Innovation Park to FAMU and FSU in order for Authority to focus its efforts on supporting the developing of new knowledge, advancing technology, and promoting economic development in Leon County. The consummation of this MOU would transfer all remaining leasehold interests in Innovation Park to FAMU and/or FSU and is dependent on the Trustees of the Internal Improvement Trust Fund re-assigning the Authority's lease to FAMU and FSU as detailed in the MOU.

Notes to Financial Statements

5. Operating Leases (continued)

Morgan Building

On March 23, 2020, the Authority entered into a lease agreement with the Florida State University Board of Trustees for the use of 4,003 square feet in the Morgan Building with monthly lease payments of \$4,982 beginning May 1, 2020 through April 30, 2021. Effective May 1, 2021 through the expiration date of April 30, 2025, the payments increased to \$5,132.

On February 12, 2021, the Authority entered into a lease agreement with CareerSource Capital Region for the use of 4,971 square feet in the Morgan Building with monthly lease payments of \$6,628 beginning March 31, 2021 through February 29, 2024. Effective April 1, 2021 through the expiration date, the leased spaced was increased to 5,221 square feet and payments increased to \$6,961.

On March 30, 2023, the Authority entered into a lease agreement with the Florida State University Board of Trustees for the use of 1,973 square feet in the Morgan Building with monthly lease payments of \$2,795, escalating up to \$2,965 at maturity through August 31, 2026.

During the years ended September 30, 2023 and 2022, the Authority recognized other short-term lease revenues from space in the Morgan Building in the amount of \$18,185 and \$40,061, respectively.

Knight Building

During the years ended September 30, 2023 and 2022, the Authority also recognized other short-term lease revenues from space in the Knight Building in the amount of \$11,058 and \$9,743, respectively.

Common Area Management Fees

The Authority maintains all of the common area in the Park. Owners of long-term leases purchased from the Authority and certain other tenants are charged an annual common area fee based on the Park’s direct expenses and adjusted annual administrative overhead costs divided by the developable acres. For the years ended September 30, 2023 and 2022, the Authority recognized common area revenue in the amount of \$81,019 and \$64,460, respectively.

Following is a table of the minimum future rentals expected to be collected over the next five years:

	September 30,						Total
	2024	2025	2026	2027	2028	Thereafter	
Johnson	\$ 306,968	\$ 127,903	\$ -	\$ -	\$ -	\$ -	\$ 434,871
Phipps	104,864	104,864	104,864	104,864	104,864	943,775	1,468,095
Collins	82,667	65,373	61,766	30,156	-	-	208,737
Morgan	134,438	70,468	35,584	-	-	-	240,490
Knight	9,444	-	-	-	-	-	9,444
	<u>\$ 638,381</u>	<u>\$ 368,608</u>	<u>\$ 202,214</u>	<u>\$ 135,020</u>	<u>\$ 104,864</u>	<u>\$ 943,775</u>	<u>\$ 2,392,862</u>

The above operating leases and expected minimum future rentals are calculated under the assumption that the Authority does not complete the transactions contemplated under the MOU as described in Note 4 and that all renewals are exercised.