

**Audited Financial Statements  
and Supplementary Information**

**Scripps Florida Funding Corporation**

**A Component Unit of the  
State of Florida**

**September 30, 2016**

SCRIPPS FLORIDA FUNDING CORPORATION –  
A COMPONENT UNIT OF THE STATE OF FLORIDA

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

September 30, 2016

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## Independent Auditor's Report

To the Board of Directors  
Scripps Florida Funding Corporation  
Jupiter, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of Scripps Florida Funding Corporation, a component unit of the State of Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of Scripps Florida Funding Corporation 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 U.S. generally accepted accounting principles; 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Scripps Florida Funding Corporation, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that *management's discussion and analysis* on pages 3 through 7 and the budgetary comparison information on pages 15 and 16 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 U.S. generally accepted auditing standards, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of Scripps Florida Funding Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Scripps Florida Funding Corporation's internal control over financial reporting and compliance.

*Cale, Dauten, Levine,  
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida  
November 30, 2016

## Management's Discussion and Analysis

Acting in our capacity as the management of Scripps Florida Funding Corporation ("SFFC"), we offer readers of SFFC's financial statements this narrative overview and analysis of the financial activities of SFFC as of and for the year ended September 30, 2016. SFFC is governed by a nine member Board of Directors, three of whom are appointed by the Governor of the State of Florida, three of whom are appointed by the President of the Senate of the State of Florida, and three of whom are appointed by the Speaker of the House of Representatives of the State of Florida. Currently, there are three unfilled Board vacancies. For financial reporting purposes, management determined that SFFC should be reported as a governmental organization and a component unit of the State of Florida based on the appointment of the Board of Directors by officials of State government.

SFFC is a Florida not-for-profit public benefit corporation created by Florida Statutes, Section 288.955, and was incorporated on December 8, 2003, for the primary purpose of overseeing the establishment and operation of a state-of-the-art biomedical research institution and campus in Palm Beach County, Florida, by The Scripps Research Institute ("TSRI"). The development of the Scripps Florida project was financed by a Federal economic development grant of \$310 million to the State of Florida that was passed through to SFFC to administer. SFFC was required to distribute to TSRI the \$310 million grant proceeds, plus the net investment income thereon and less an annual administrative appropriation to SFFC over a ten year period ending with a final grant distribution to TSRI on December 15, 2013. Thereafter, SFFC is required to oversee the Scripps Florida project and the State's investment of public funds through the year 2024.

As part of the annual audited financial statements of SFFC, the Governmental Accounting Standards Board requires the presentation of certain comparative information for the current and prior year in this Management's Discussion and Analysis.

### Financial Highlights

- The assets of SFFC exceeded its liabilities at September 30, 2016 by \$240,794 (*net position*), all of which will be utilized in future years for SFFC's oversight of the Scripps Florida project.
- SFFC's total assets were \$243,629 at September 30, 2016, consisting primarily of cash attributable to the unexpended portion of the annual \$200,000 administrative appropriation for the operations of SFFC. The annual administrative appropriation ended with a final payment on December 15, 2013.
- As of September 30, 2016, the General Fund of SFFC reported ending fund balance of \$240,794. Of this total amount, \$9,714 is nonspendable for prepaid items and \$231,080 is unrestricted and available to fund the future operations of SFFC.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SFFC's basic financial statements. The basic financial statements of SFFC include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of SFFC's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on SFFC's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SFFC is improving or deteriorating.

The *statement of activities* presents information showing how SFFC's net position changed during the most recent fiscal year. 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 flow*. Thus, some revenues and expenses may be reported in this statement for items that will only result in cash flows in future fiscal periods.

The government-wide financial statements present functions of SFFC that are principally supported by the unexpended portion of an annual administrative appropriation from the State for the operations of SFFC (*governmental activities*). The annual administrative appropriation ended with a final payment on December 15, 2013. The governmental activities of SFFC include all General Fund functions.

SFFC has no business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SFFC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SFFC utilizes only one fund, the *General Fund*, which is classified as a *governmental fund* and accounts for all financial resources of SFFC.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of SFFC's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the *governmental fund* and *governmental activities*. Since SFFC had no long-term assets or liabilities, there were no differences between the revenues and expenditures/expenses of the *governmental fund* and *governmental activities*.

The basic governmental fund financial statements can be found on pages 8 and 9 of this report. Explanations of the reconciling items between the governmental fund and the governmental activities can be found in Note D on page 14. SFFC adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided on page 15 for the General Fund.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-14 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning SFFC's budget to actual results for the General Fund for the current fiscal year. The required supplementary information can be found on pages 15 and 16 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets, liabilities and net position of SFFC at September 30, 2016 and 2015 are summarized as follows:

Net Position		
	2016	2015
<b>Assets</b>		
Cash and other current asset	\$ 243,629	\$ 328,411
<b>Liability</b>		
Current liability	\$ 2,835	\$ 4,253
<b>Net position</b>		
Unrestricted	\$ 240,794	\$ 324,158

SFFC's unrestricted net position of \$240,794 represents the funds available for the future operations of SFFC that will be expensed in subsequent fiscal years. At the end of the current fiscal year, SFFC reported a positive balance of \$240,794 in net position that will decrease over time as funds are expensed for future administrative operations of SFFC.

**Governmental activities.** Governmental activities decreased SFFC's net position by \$83,364 in 2016 and by \$82,629 in 2015. Key elements of this change are as follows.

Changes in Net Position		
	2016	2015
<b>Revenues</b>	\$ -	\$ -
<b>Expenses</b>		
General government	83,364	82,629
Change in net position	(83,364)	(82,629)
Net position - beginning of year	324,158	406,787
Net position - end of year	\$ 240,794	\$ 324,158

The final grant payment was made by SFFC on December 15, 2013 and the expenses for 2016 and 2015 consisted solely of administrative expenses related to the oversight operations of SFFC. Those general government expenses consisted primarily of professional fees associated with the monitoring responsibilities of SFFC and administrative expenses, such as insurance.

## Financial Analysis of the Government's Funds

As noted earlier, SFFC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing SFFC's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As noted previously, SFFC has only one governmental fund, the General Fund.

As of the end of the current period, SFFC's governmental fund reported ending fund balance of \$240,794. Substantially all of the ending fund balance (\$231,080) constitutes *unassigned fund balance*, which is available to finance future spending by SFFC for activities related to its ongoing statutory oversight responsibility for the Scripps Florida project through the year 2024. The remaining fund balance of \$9,714 relates to prepaid items and is considered *nonspendable* because it is not in spendable form.

Key factors to consider in analyzing the fund balance for the General Fund are as follows:

- SFFC is limited by Florida statutes to expenditures of \$200,000 annually for administrative expenses.
- The final appropriation of \$200,000 to finance the administrative expenses of SFFC was received on December 15, 2013.
- The unexpended portion of each annual administrative budget allocation of \$200,000 was carried over from prior years and will be used to fund the future oversight functions of SFFC.

### **General Fund Budgetary Highlights**

There were no differences between the original budget and the final amended budget for the year ended September 30, 2016.

During the year, revenues consisted solely of an allocation of \$96,041 from accumulated fund balance. Expenditures were less than budgetary estimates by approximately \$11,000, which was attributable primarily to lower professional fees incurred for the grant monitoring activities of SFFC.

### **Capital Asset and Debt Administration**

**Capital assets.** SFFC has not purchased any capital assets.

**Long-term debt.** SFFC is not permitted to incur long-term debt.

### **Economic Factors and Next Year's Budget**

SFFC's budget for the 2016-2017 fiscal year is based on the following considerations:

- The contract between SFFC and TSRI does not expire until the year 2024. During this remaining time period, SFFC has a contractual obligation to exercise continued oversight of the Scripps Florida project and the State's investment of public funds. The operations of SFFC for the fiscal year ending September 30, 2017 and for future years will include administrative expenses related to this ongoing oversight responsibility.
- Following the final grant disbursement to TSRI and related administrative allocation to SFFC on December 15, 2013, there are presently no arrangements to provide further funds for SFFC to carry out its contractual oversight obligations of the Scripps Florida project through the year 2024. Accordingly, SFFC will continue to operate utilizing its remaining cash balances, until those amounts are depleted (currently estimated to be depleted in fiscal year 2019). Thereafter, management expects that SFFC will cease operations and dissolve the corporation, and all



contractual responsibilities of SFFC for the Scripps Florida project will revert to the State of Florida.

### **Requests for Information**

This financial report is designed to provide a general overview of SFFC's finances for all those with an interest in the organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Scripps Project Director at 130 Scripps Way, #B41, Jupiter, Florida, 33458.

SCRIPPS FLORIDA FUNDING CORPORATION

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

September 30, 2016

	Governmental Fund General Fund	Adjustments (Note D)	Statement of Net Position Governmental Activities
<b>ASSETS</b>			
Cash	\$ 233,915	\$ -	\$ 233,915
Prepaid items	9,714	-	9,714
<b>TOTAL ASSETS</b>	<u>\$ 243,629</u>	-	243,629
<b>LIABILITY</b>			
Accounts payable	\$ 2,835	-	2,835
<b>TOTAL LIABILITY</b>	2,835	-	2,835
<b>FUND BALANCE/NET POSITION</b>			
Fund balance			
Nonspendable - prepaid items	9,714	(9,714)	-
Unassigned	231,080	(231,080)	-
<b>TOTAL FUND BALANCE</b>	<u>240,794</u>	(240,794)	-
<b>TOTAL LIABILITY AND FUND BALANCE</b>	<u>\$ 243,629</u>		
Net Position			
Unrestricted		240,794	240,794
<b>TOTAL NET POSITION</b>		<u>\$ -</u>	<u>\$ 240,794</u>

See notes to financial statements.

SCRIPPS FLORIDA FUNDING CORPORATION

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

	Governmental Fund General Fund	Adjustments (Note D)	Statement of Activities Governmental Activities
<b>Revenues</b>	\$ -	\$ -	\$ -
<b>Expenditures/Expenses</b>			
Current			
General government	83,364	-	83,364
	<u>83,364</u>	<u>-</u>	<u>83,364</u>
Expenditures over revenues/ Change in net position	(83,364)	-	(83,364)
Fund balance/Net position at October 1, 2015	<u>324,158</u>	<u>-</u>	<u>324,158</u>
Fund balance/Net position at September 30, 2016	<u><u>\$ 240,794</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 240,794</u></u>

See notes to financial statements.

## SCRIPPS FLORIDA FUNDING CORPORATION

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016

#### NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Scripps Florida Funding Corporation ("SFFC") is a Florida not-for-profit, public benefit corporation created by Florida Statutes, Section 288.955, and was incorporated on December 8, 2003, for the purpose of enhancing education and research and promoting, developing, and advancing the business prosperity and economic welfare of the State of Florida and its residents by facilitating and overseeing the establishment and operation of a state-of-the-art biomedical research institution and campus in the State by The Scripps Research Institute ("TSRI"). SFFC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

SFFC is governed by a nine member Board of Directors, three of whom are appointed by the Governor of the State of Florida, three of whom are appointed by the President of the Senate of the State of Florida, and three of whom are appointed by the Speaker of the House of Representatives of the State of Florida. There were three unfilled Board vacancies at September 30, 2016.

Financial Reporting Entity: For financial reporting purposes, management determined that SFFC should be reported as a governmental organization and a component unit of the State of Florida based on the appointment of the Board of Directors by officials of State government. In considering potential component units to include in the SFFC financial reporting entity, management applied the criteria set forth in U.S. generally accepted accounting principles (GAAP). As defined by GAAP, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, SFFC found that there were no entities to consider as potential component units.

Government-wide/Governmental Fund Financial Statements: SFFC is a special-purpose government engaged in one primary governmental activity, to facilitate and oversee the establishment and operation of a state-of-the-art biomedical research institution and campus in the State by The Scripps Research Institute. SFFC accounts for all financial resources in one fund, the General Fund, which includes all *governmental activities* of SFFC, which are supported primarily by accumulated net position/fund balance from prior years' administrative appropriations received from the State of Florida. Accordingly, the Government-wide and Governmental Fund financial statements of SFFC are combined using a columnar format that reconciles individual line items of General Fund financial data to Government-wide data in separate columns on the face of the financial statements. The Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund. The Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. Note D explains the reconciling items presented in the adjustments column of the combined Government-wide and Governmental Fund financial statements.

Measurement Focus and Basis of Accounting: Financial reporting is based upon pronouncements of the Governmental Accounting Standards Board (GASB).

SCRIPPS FLORIDA FUNDING CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. SFFC does not allocate indirect expenses.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. SFFC considers revenues to be available if collected within 90 days of the end of the fiscal year to which they apply. Revenue items are considered to be measurable and available only when received in cash by SFFC. Expenditures are generally recognized in the accounting period in which the fund liability is incurred.

Cash: Cash consists of amounts on deposit in a non-interest bearing checking account with a financial institution.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Fund Balance/ Net Position:

*Fund Balance*

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which SFFC is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

*Nonspendable* - Nonspendable fund balance includes amounts that cannot be spent because they are either 1) not in spendable form; or, 2) legally or contractually required to be maintained intact.

*Restricted* - Restricted fund balance includes amounts that are restricted to specific purposes either by 1) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments; or, 2) imposed by law through constitutional provisions or enabling legislation. SFFC has no restricted fund balance.

*Committed* - Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by SFFC's Board through a resolution. SFFC has no committed fund balance.

*Assigned* - Assigned fund balance includes amounts that are constrained by SFFC's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance are made by SFFC management based upon direction by SFFC's Board. SFFC has no assigned fund balance.

*Unassigned* - Unassigned fund balance includes amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

# SCRIPPS FLORIDA FUNDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

### NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

SFFC considers restricted fund balance to be spent when an expenditure is incurred for the restricted purpose. SFFC considers committed, assigned or unassigned fund balance to be spent when an expenditure is incurred for purposes for which amounts in any of those fund balance classifications could be used.

The SFFC Board has not adopted a formal minimum fund balance policy because the mission of SFFC is to expend all remaining fund balance for monitoring the economic development grant to TSRI, pursuant to the terms of the Operating and Funding Agreement between SFFC and TSRI.

#### *Net Position*

The government-wide financial statements utilize a net position presentation, which is categorized as follows:

*Restricted* - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by vendors, contributors, or laws or regulations of other governments or constraints imposed by law, constitutional provisions or enabling legislation. Restricted resources are used first to fund expenses incurred for restricted purposes. SFFC has no restricted net position.

*Unrestricted* - This component of net position consists of amounts that do not meet the definition of *Restricted*.

Economic Development Grant: SFFC entered into an Operating and Funding Agreement (the "Agreement") with TSRI dated January 30, 2004. Pursuant to the terms of the Agreement, SFFC provided an economic development grant to TSRI in the amount of \$310 million plus the net investment income thereon and less an annual administrative appropriation to SFFC. Subject to compliance by TSRI with the terms of the Agreement and annual approval of a grant request by SFFC, the economic development grant was payable to TSRI in quarterly installments on March 15<sup>th</sup>, June 15<sup>th</sup>, September 15<sup>th</sup> and December 15<sup>th</sup> of each year through the final payment date of December 15, 2013. At September 30, 2016, all grant payments were disbursed and TSRI was in compliance with the Agreement.

Property Taxes: SFFC receives no property taxes.

Risk Management: SFFC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SFFC purchases commercial insurance for the risks of losses to which it is exposed. Policy limits and deductibles are reviewed annually by management and established at amounts to provide reasonable protection from significant financial loss. Settlements have not exceeded insurance coverage since inception.

Income Taxes: SFFC is exempt from income taxes as a public charity under the provisions of Internal Revenue Code Section 501(c)(3), except for any net income derived from unrelated business activities. Management does not believe that SFFC has any unrelated business activities that could result in a tax liability or any uncertain tax positions that would be material to the financial statements. SFFC's tax returns for tax years prior to 2012 are no longer subject to examination by taxing authorities.

New Accounting Pronouncements: SFFC has implemented all applicable GASB Statements effective through the fiscal year ended September 30, 2016. GASB has also issued Statements Nos. 74, 75, and 77 through 82, which will be effective in future years, although management does not believe that any of these GASB Statements will be applicable to SFFC.

## SCRIPPS FLORIDA FUNDING CORPORATION

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016

#### NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

#### NOTE B - CASH

At September 30, 2016, SFFC had deposits with financial institutions with a carrying value and bank balance of approximately \$234,000. The deposits with financial institutions were entirely covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, the amount of public funds would be covered by the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all SFFC deposits with financial institutions are considered fully insured or collateralized in accordance with the provisions of GASB Statement No. 3, as amended.

#### NOTE C - COMMITMENT AND CONTINGENCY

Contract Commitment: Pursuant to the terms of the Operating and Funding Agreement, SFFC provided an economic development grant to TSRI of \$310 million plus the investment income thereon and less an annual allocation to SFFC for administrative expenses of \$200,000 through the contract year ended January 30, 2014, the tenth and final year of the economic development grant. The grant funds were paid to TSRI in quarterly installments over the ten year period to establish and operate a state-of-the-art biomedical research institution and campus in Florida, known as Scripps Florida. The final grant payment to TSRI was paid on December 15, 2013 and included all amounts on deposit with the State Board of Administration, less a final allocation of \$200,000 to SFFC for its fiscal year administrative expense budget.

Although the final payment from SFFC to TSRI for the Scripps Florida economic development grant was made on December 15, 2013, the contract between SFFC and TSRI does not expire until the year 2024. During this remaining period, SFFC has a contractual obligation to exercise continued oversight of the Scripps Florida project and the State's investment of public funds. Following the final grant disbursement to TSRI and related budget allocation to SFFC on December 15, 2013, there are no commitments to provide further funding to SFFC to carry out its contractual obligations through the year 2024. Accordingly, SFFC presently intends to continue operations until its remaining cash balances are depleted (currently estimated to be depleted in fiscal year 2019). Thereafter, management expects that SFFC will cease operations, the corporation will be dissolved and all contractual responsibilities of SFFC for the Scripps Florida project will revert to the State of Florida.

Grants: Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of SFFC for the return of those funds.

SCRIPPS FLORIDA FUNDING CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE D - EXPLANATION OF ADJUSTMENTS BETWEEN GOVERNMENTAL FUND AND  
GOVERNMENT-WIDE FINANCIAL STATEMENT AMOUNTS

The only adjustment between the Governmental Fund financial statements and the Government-wide financial statements is the reclassification of the *Fund Balance* reported for SFFC's General Fund into the *Net Position* category reported for Governmental Activities in the Statement of Net Position. There were no differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities.



## REQUIRED SUPPLEMENTARY INFORMATION

SCRIPPS FLORIDA FUNDING CORPORATION

BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
Fund balance allocation for administrative expenses	\$ 96,041	\$ 96,041	\$ 96,041	\$ -
<b>TOTAL REVENUES</b>	<b>96,041</b>	<b>96,041</b>	<b>96,041</b>	<b>-</b>
<b>General Government</b>				
Bank charges	-	-	48	(48)
Insurance	26,250	26,250	29,142	(2,892)
Licenses and fees	79	79	61	18
Meeting expenses	125	125	85	40
Miscellaneous expenses	225	225	-	225
Office supplies	237	237	-	237
Postage	175	175	83	92
Professional fees				
Legal	28,750	28,750	10,743	18,007
Accounting and auditing	18,750	18,750	34,520	(15,770)
Consulting	15,250	15,250	9,225	6,025
Research	2,500	2,500	-	2,500
Public meeting notices	187	187	40	147
Telephone	763	763	835	(72)
Travel				
Board members	2,750	2,750	-	2,750
<b>TOTAL EXPENDITURES</b>	<b>96,041</b>	<b>96,041</b>	<b>84,782</b>	<b>11,259</b>
<b>REVENUES OVER EXPENDITURES - BUDGETARY BASIS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,259</b>	<b>\$ 11,259</b>

See notes to budgetary comparison schedule.

# SCRIPPS FLORIDA FUNDING CORPORATION

## NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2016

### NOTE A - BUDGETARY ACCOUNTING

An appropriated budget is legally required and has been legally adopted for each contract year ending December 15<sup>th</sup> for the General Fund on the cash basis of accounting. For budgetary purposes, the Board of Directors must approve all changes or amendments to the total budgeted expenditures of Scripps Florida Funding Corporation (SFFC). Total expenditures may not legally exceed total budgeted appropriations at the fund level. SFFC has not made any supplemental budget appropriations for the contract year ending December 15, 2016. Appropriations lapse at the end of each contract year.

Expenditures for general government purposes are legally limited by Florida Statutes to \$300,000 for the first contract year of operations, ending on December 15, 2004, and \$200,000 for each contract year thereafter. Because SFFC is legally required to adopt its budget for the contract year ended December 15<sup>th</sup>, the General Fund budgetary comparison schedule is not intended to and does not present budgetary compliance on a contract year basis. For purposes of the contract year budget and legal limitation, the budgetary basis expenditures for general government purposes were \$84,782 through September 30, 2016, and were within the \$200,000 statutory limitation for the contract period ending December 15, 2016. Expenditures for the contract year ended December 15, 2015 were within the statutory limitation of \$200,000.

### NOTE B - BUDGET TO ACTUAL COMPARISONS

The General Fund budgetary comparison schedule presents actual expenditure amounts for the fiscal year ended September 30, 2016 and budgeted amounts based on an allocation of the budget for the contract years ended December 15, 2015 and 2016. The budget amounts presented in the accompanying budgetary comparison schedule reflect the original budget and the amended budget based on legally authorized revisions to the original budget during the year, if any.

U.S. generally accepted accounting principles (GAAP) require that the General Fund budgetary comparison schedule be prepared under the cash basis of accounting used in preparing the budget. As a result, General Fund revenues and expenditures reported in the budgetary comparison schedule differ from the revenues and expenditures reported on the GAAP basis. The difference can be reconciled as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis	\$ 96,041	\$ 84,782
GAAP basis adjustments:		
Fund balance allocation to revenues	(96,041)	-
Modified accrual basis adjustments	<u>-</u>	<u>(1,418)</u>
GAAP Basis	<u>\$ -</u>	<u>\$ 83,364</u>

COMPLIANCE REPORT AND  
MANAGEMENT LETTER



CALER, DONTEN, LEVINE,  
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Independent Auditor's 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*

To the Board of Directors  
Scripps Florida Funding Corporation  
Jupiter, Florida

We have audited, in accordance with U.S. generally accepted auditing standards 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 the governmental activities and major fund of Scripps Florida Funding Corporation, a component unit of the State of Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Scripps Florida Funding Corporation's basic financial statements, and have issued our report thereon dated November 30, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Scripps Florida Funding Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scripps Florida Funding Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Scripps Florida Funding Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 Scripps Florida Funding Corporation'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.

*Calver, Dauter, Levine,  
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida  
November 30, 2016



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## Management Letter

To the Board of Directors  
Scripps Florida Funding Corporation  
Jupiter, Florida

### **Report on the Financial Statements**

We have audited the financial statements of Scripps Florida Funding Corporation, a component unit of the State of Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated November 30, 2016.

### **Auditor's Responsibility**

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.700, Rules of the Auditor General.

### **Other Reports and Schedule**

We have issued our Independent Auditor's 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*. Disclosures in that report, which is dated November 30, 2016, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Chapter 10.700, 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 prior year findings and recommendations.

### **Other Matters**

Chapter 10.700, Rules of the Auditor General, requires disclosure in the management letter of noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on financial statement amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit for the year ended September 30, 2016, we did not have any such findings or other recommendations to improve financial management.

**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 and the Board of Directors, management and others within Scripps Florida Funding Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

*Caley, Dauten, Levine,  
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida  
November 30, 2016