

Florida Atlantic Research and
Development Authority
Boca Raton, Florida

Financial Statements
For the Years Ended September 30, 2021 and 2020



Florida Atlantic Research and Development Authority

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INDEPENDENT AUDITOR'S REPORT

To the Members
Florida Atlantic Research and Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Florida Atlantic Research and Development Authority (the "Authority") as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of September 30, 2021 and 2020, and the changes in financial position and cash flows thereof 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 the management's discussion and analysis 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021, on our consideration of the Authority'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 the Authority'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 the Authority's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



**Florida Atlantic Research and Development Authority
Management's Discussion and Analysis
September 30, 2021 and 2020**

Our discussion and analysis of Florida Atlantic Research and Development Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the years ended September 30, 2021 and 2020. Please read it in conjunction with the Authority's financial statements, which immediately follow this discussion.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2021 and 2020:

- The Authority's total assets exceeded its liabilities at September 30, 2021 and 2020 by \$ 772,868 and \$ 594,679, respectively.
- The Authority's total operating revenues for the years ended September 30, 2021 and 2020 were \$ 1,208,230 and \$ 1,187,346, respectively; a majority of these operating revenues are derived from various rental agreements. The remaining revenues consisted of grants, contributions and other miscellaneous revenue. The Authority's total expenses for the years ended September 30, 2021 and 2020 were \$ 1,059,548 and \$ 930,927, respectively.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of two components: 1) business-type financial statements and 2) notes to the financial statements.

Basic Financial Statements: The basic financial statements, which consist of the statement of net position; the statement of revenues, expenses, and changes in net position; and statement of cash flows, are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private business sector.

The statement of net position presents information on all the Authority'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 the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the 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 flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Florida Atlantic Research and Development Authority
Management's Discussion and Analysis
September 30, 2021 and 2020**

Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of financial position. The following table presents a comparative analysis of the condensed statements of net position:

**Florida Atlantic Research and Development Authority
Net Position**

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|-------------------|-------------------|
| Assets: | | |
| Current assets | \$ 971,228 | \$ 836,599 |
| Capital assets, net | <u>26,093</u> | <u>21,134</u> |
| Total assets | <u>997,321</u> | <u>857,733</u> |
| Liabilities: | | |
| Current liabilities | <u>224,453</u> | <u>263,054</u> |
| Total liabilities | <u>224,453</u> | <u>263,054</u> |
| Net Position: | | |
| Net investment in capital assets | 26,093 | 21,134 |
| Restricted | 58,898 | 74,398 |
| Unrestricted | <u>687,877</u> | <u>499,147</u> |
| Total net position | <u>\$ 772,868</u> | <u>\$ 594,679</u> |

The following table presents comparative information of the condensed statements of revenues, expenses, and changes in net position:

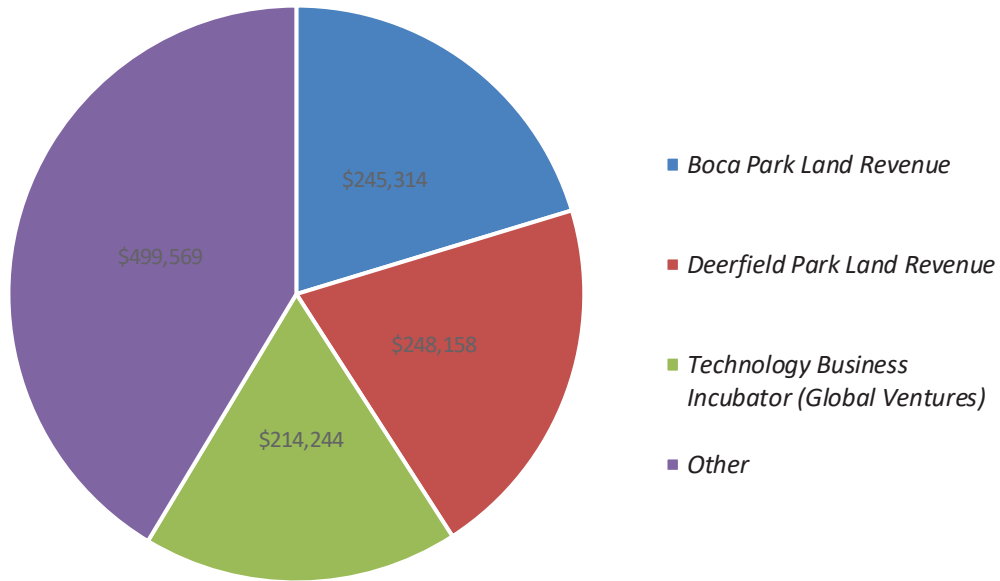
| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Revenues: | | |
| Operating | \$ 1,207,285 | \$ 1,187,346 |
| Non-operating | <u>30,352</u> | <u>5,346</u> |
| Total revenues | <u>1,237,637</u> | <u>1,192,692</u> |
| Expenses: | | |
| Operating | 377,854 | 350,664 |
| General and administrative | 386,877 | 364,639 |
| Program | <u>294,717</u> | <u>215,624</u> |
| Total expenses | <u>1,059,448</u> | <u>930,927</u> |
| Changes in net position | 178,189 | 261,765 |
| Net Position, Beginning of Year | <u>594,679</u> | <u>332,914</u> |
| Net Position, End of Year | <u>\$ 772,868</u> | <u>\$ 594,679</u> |

**Florida Atlantic Research and Development Authority
Management's Discussion and Analysis
September 30, 2021 and 2020**

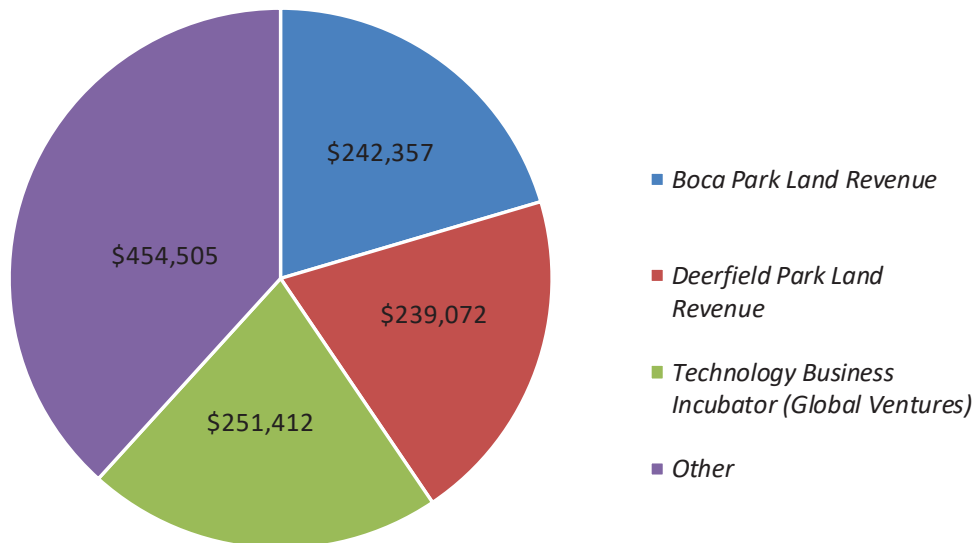
To better illustrate the Authority's activity for fiscal years 2021 and 2020, the below charts have been provided:

Operating Revenues:

Total 2021 Operating Revenues \$ 1,207,285:



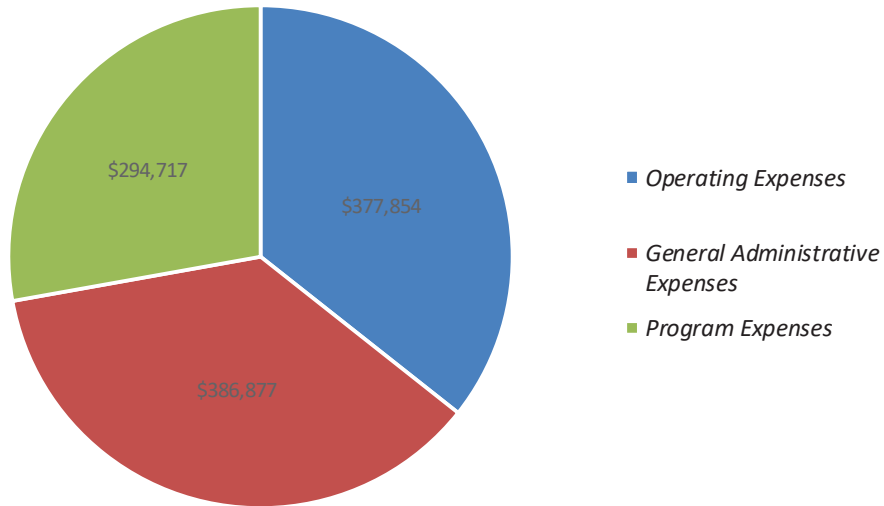
Total 2020 Operating Revenues \$ 1,187,346:



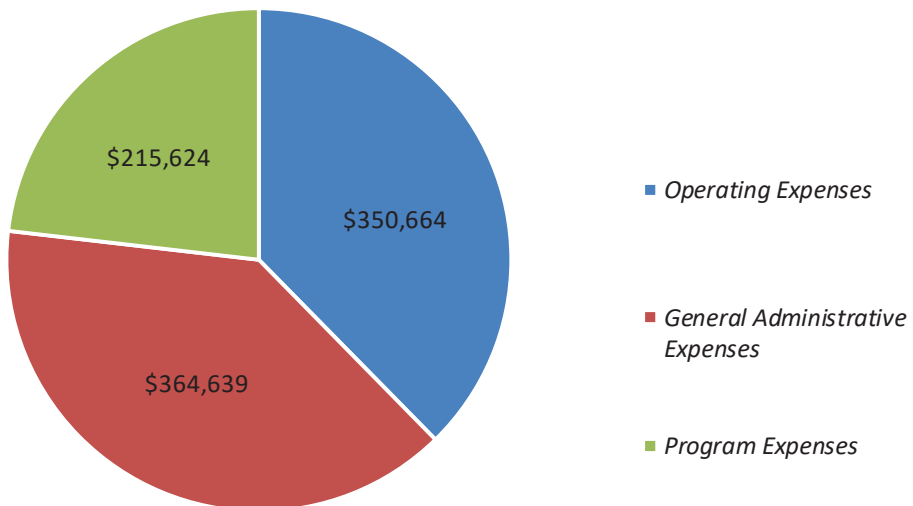
Total operating revenues increased from year to year, as a result of grants, contributions and other miscellaneous revenues. Furthermore, amounts relating to rental revenues remained relatively consistent when compared year to year.

Expenses:

Total 2021 Expenses: \$ 1,059,448:



Total 2020 Expenses: \$ 930,927:



Overall total expenses decreased from year to year. The majority of this change is due to the following: a decrease of direct write-off of uncollectable receivables, along with the decrease in grant and other expenses due to the completion of a project.

Capital Assets

As of September 30, 2021, the Authority had an investment of capital assets of \$ 26,093. This amount is net of accumulated depreciation of \$ 130,968. This amount represents a net increase of \$ 4,959 or 23%.

As of September 30, 2020, the Authority had an investment of capital assets of \$ 21,134. This amount is net of accumulated depreciation of \$ 121,169. This amount represents a net increase of \$ 1,548 or 8%.

Economic Factors

There are currently no known facts expected to affect the financial position or results of operations of the Authority.

Request for Information

This financial report is designed to provide a general overview of the Florida Atlantic Research and Development Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Florida Atlantic Research and Development Authority, 3651 FAU Boulevard, Suite 400, Boca Raton, FL 33431.

BASIC FINANCIAL STATEMENTS

Florida Atlantic Research and Development Authority
Statements of Net Position - Proprietary Fund
September 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------|--------------------------|
| Assets: | | |
| Current assets: | | |
| Cash, cash equivalents, and investments | \$ 931,602 | \$ 791,597 |
| Rent receivables, net | 36,403 | 44,426 |
| Prepaid expenses | 3,223 | 576 |
| | <u>971,228</u> | <u>836,599</u> |
| Total current assets | | |
| Non-current assets: | | |
| Capital assets, net | <u>26,093</u> | <u>21,134</u> |
| | <u>26,093</u> | <u>21,134</u> |
| Total non-current assets | | |
| | <u>997,321</u> | <u>857,733</u> |
| Total assets | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | 22,572 | 37,221 |
| Accrued expenses | 77,523 | 106,283 |
| Tenant deposits | 41,156 | 37,764 |
| Unearned revenue | 83,202 | 81,786 |
| | <u>224,453</u> | <u>263,054</u> |
| Total current liabilities | | |
| | <u>224,453</u> | <u>263,054</u> |
| Total liabilities | | |
| Net Position: | | |
| Net investment in capital assets | 26,093 | 21,134 |
| Restricted | 58,898 | 74,398 |
| Unrestricted | 687,877 | 499,147 |
| | <u>772,868</u> | <u>594,679</u> |
| Total net position | | |
| | \$ <u><u>772,868</u></u> | \$ <u><u>594,679</u></u> |

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

Florida Atlantic Research and Development Authority
Statements of Revenues, Expenses, and Changes in
Net Position - Proprietary Fund
For the Years Ended September 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Revenues: | | |
| Operating: | | |
| Grants, contributions and other | \$ 499,569 | \$ 454,505 |
| Deerfield park land | 248,158 | 239,072 |
| Boca park land | 245,314 | 242,357 |
| Technology business incubator (Global Ventures) | 214,244 | 251,412 |
| | <u>1,207,285</u> | <u>1,187,346</u> |
| Expenses: | | |
| Operating: | | |
| Rent | 336,975 | 312,867 |
| Occupancy overhead | 40,879 | 37,797 |
| | <u>377,854</u> | <u>350,664</u> |
| General and administrative: | | |
| Payroll costs and employee benefits | 204,142 | 237,796 |
| Other | 143,914 | 60,779 |
| Professional fees | 38,821 | 66,064 |
| | <u>386,877</u> | <u>364,639</u> |
| Program: | | |
| Overhead | 135,758 | 75,594 |
| Incubator | 93,459 | 85,311 |
| Grants and other | 65,500 | 54,719 |
| | <u>294,717</u> | <u>215,624</u> |
| Total expenses | <u>1,059,448</u> | <u>930,927</u> |
| Operating Income (Loss) | <u>147,837</u> | <u>256,419</u> |
| Non-Operating Income | <u>30,352</u> | <u>5,346</u> |
| Changes in net position | 178,189 | 261,765 |
| Net Position, Beginning of Year | <u>594,679</u> | <u>332,914</u> |
| Net Position, End of Year | <u>\$ 772,868</u> | <u>\$ 594,679</u> |

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

**Florida Atlantic Research and Development Authority
Statements of Cash Flows - Proprietary Fund
For the Years Ended September 30, 2021 and 2020**

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from lessees | \$ 720,547 | \$ 732,031 |
| Other operating cash receipts | 499,569 | 454,505 |
| Cash paid to suppliers and service providers | (685,644) | (458,814) |
| Cash paid to employees | (344,561) | (337,775) |
| Cash paid for grants | (65,500) | (54,719) |
| | <u>124,411</u> | <u>335,228</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Purchase of capital assets | (14,758) | (7,916) |
| Insurance proceeds | 28,851 | - |
| | <u>14,093</u> | <u>(7,916)</u> |
| Cash Flows from Investing Activities: | | |
| Interest income received | 1,501 | 5,346 |
| | <u>1,501</u> | <u>5,346</u> |
| Net cash provided by (used in) investing activities | | |
| Net increase (decrease) in cash, cash equivalents, and investments | 140,005 | 332,658 |
| Cash, Cash Equivalents, and Investments, Beginning of Year | <u>791,597</u> | <u>458,939</u> |
| Cash, Cash Equivalents, and Investments, End of Year | \$ <u><u>931,602</u></u> | \$ <u><u>791,597</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities: | | |
| Operating income (loss) | \$ 147,837 | \$ 256,419 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Provision for depreciation | 9,799 | 6,368 |
| Provision for bad debt | 10,764 | 7,859 |
| (Increase) decrease in assets: | | |
| Rent receivables | (2,741) | (5,378) |
| Prepaid expenses | (2,647) | 3,214 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (14,649) | (16,230) |
| Accrued expenses | (28,760) | 86,267 |
| Tenant deposits | 3,392 | (7,110) |
| Unearned revenue | 1,416 | 3,819 |
| | <u>1,416</u> | <u>3,819</u> |
| Net cash provided by (used in) operating activities | \$ <u><u>124,411</u></u> | \$ <u><u>335,228</u></u> |

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

Note 1 - Organization

The Florida Atlantic Research and Development Authority (the "Authority") was created by Ordinances No. 85-32 and 84-60 adopted September 24, 1985 and October 8, 1985 by Palm Beach and Broward Counties, respectively, in accordance with Florida Statutes Section 159.703 for the purposes of development, operations, management and financing of a research and development park.

The Authority was established to promote scientific research and development in affiliation with and related to the research and development activities of one or more institutions of higher education for the purpose of fostering the economic development and broadening the economic base of Palm Beach and Broward Counties.

The Authority's seven (7) members are appointed officials. The boards of County Commissioners of Palm Beach County and Broward County each appoint three (3) members who are private citizens and residents in their respective county. The President of the Florida Atlantic University or his/her designee is a permanent member of the Authority. The Authority is classified by the Office of the Comptroller of the State of Florida as an Independent Special District.

For financial reporting purposes, the Authority includes the sole fund that it controls. There are no dependent agencies, boards, commissions, component units or other authorities which are controlled by or dependent upon the Authority.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Authority conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by the Governmental Accounting Standards Board (GASB). The Authority's significant accounting policies are described below:

Basis of presentation: The Authority is engaged in a single business-type activity whose operations are primarily supported by user fees and charges. The principal statements were prepared in accordance with Government Accounting Standards Board ("GASB") codification section 2100, which establishes standards for defining and reporting of the financial reporting entity. The Authority maintains a proprietary fund which reports transactions related to activities similar to those found in the private sector. As such, the Authority presents only the statements required of enterprise funds, which include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

Measurement focus and basis of accounting: Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded when a liability is incurred.

Cash and cash equivalents: Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

Rent receivables: Receivables consist of charges to customers for rent of facilities. Management periodically reviews the rent receivable balances and provides an allowance for accounts which may be uncollectible. At September 30, 2021 and 2020 the Authority had an allowance for uncollectible accounts of \$ 7,938 and \$ 6,823, respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

Prepaid expenses: Prepaid expenses are recorded as assets when initial payment is made. Each asset is then charged off against operations in the period benefitted.

Capital assets: Capital assets, which include leasehold improvements, computers and office equipment, and signs, are reported in the statements of net position. The Authority capitalizes all property and equipment with a cost in excess of a \$ 2,500 and an estimated life greater than one year. All capital assets are valued at historical cost or estimated cost if actual historical cost is not available.

Depreciation of capital assets is calculated using the straight-line method over the assets' estimated service lives, ranging from 3 to 30 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred.

Compensated absences: The Authority maintains personnel records that allow it to determine the cumulative number of compensatory time, sick days and vacation days available to its employees. This allows the Authority to determine its future liability for these compensated absences. As of September 30, 2021, and 2020, the amount accrued in the Statement of Net Position - Proprietary Fund was approximately \$ 7,100 and \$ 6,700, respectively.

Unearned revenue: Unearned revenue represents resources received before revenue has been earned, which included rent collected in advance.

Net position: Net position is classified in three categories. The general meaning of each is as follows:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources as they are needed.

Grants: Grants are recorded when amounts are considered earned or deliverables are met by the Authority, based on the terms of the grant.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of management review: Subsequent events were evaluated by management through December 3, 2021, which is the date the financial statements were available to be issued.

Note 3 - Deposits and Investments

Cash: The Authority's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$ 250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At September 30, 2021, the carrying amount of the Authority's bank deposits was \$ 560,512 and the bank balance was \$ 560,512. At September 30, 2020, the carrying amount of the Authority's bank deposits was \$ 405,600 and the bank balance was \$ 407,604.

Investments: The investment of funds is authorized by Florida Statutes, which allows the Authority to invest in the Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the United States Treasury.

As of September 30, 2021, and 2020, the Authority's investments of \$ 371,090 and \$ 385,997, respectively, is comprised of Florida PRIME, measured at amortized cost.

Credit risk: Credit risk exists when there is a possibility the debt issuer may be unable to fulfill its obligations. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Florida PRIME is rated AAAM by Standard and Poor's.

Interest rate risk: Interest rate risk exists when there is a possibility that changes in interest rate could adversely affect the fair value of the investments. The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2021 is 49 days.

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. It is the Authority's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Under Florida statutes, Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. Eligible collateral is dependent upon the depository institution's financial history and its compliance with Florida Statutes, Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (for example, a broker-dealer) to a transaction, an entity will not be able to recover the value of its investments or collateral securities that are in the possession of another party. As applicable, the investments are held by the Authority's custodial institution and registered in the Authority's name. None of the Authority's investments are subject to custodial credit risk.

Foreign Currency Risk: Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2020 through September 30, 2021.

Florida Atlantic Research and Development Authority
Notes to Basic Financial Statements
September 30, 2021 and 2020

Note 4 - Capital Assets

The following is a summary of changes in capital asset balances for the year ended September 30, 2021:

| | Balance at October 1, 2020 | Additions | Deletions | Balance at September 30, 2021 |
|--|----------------------------------|-----------------|-------------|-------------------------------------|
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Leasehold improvements | \$ 94,144 | \$ - | \$ - | \$ 94,144 |
| Computers and office equipment | 30,986 | 7,098 | - | 38,084 |
| Signs | 17,173 | 7,660 | - | 24,833 |
| | <u>142,303</u> | <u>14,758</u> | <u>-</u> | <u>157,061</u> |
| Total capital assets, being depreciated | | | | |
| Less: accumulated depreciation for: | | | | |
| Leasehold improvements | 86,073 | 5,308 | - | 91,381 |
| Computers and office equipment | 25,273 | 2,481 | - | 27,754 |
| Signs | 9,823 | 2,010 | - | 11,833 |
| | <u>121,169</u> | <u>9,799</u> | <u>-</u> | <u>130,968</u> |
| Total accumulated depreciation | | | | |
| Business-type activities capital assets, net | \$ <u>21,134</u> | \$ <u>4,959</u> | \$ <u>-</u> | \$ <u>26,093</u> |

Depreciation expense is charged to the following functions:

Business-type activities: \$ 9,799

The following is a summary of changes in capital asset balances for the year ended September 30, 2020:

| | Balance at October 1, 2019 | Additions | Deletions | Balance at September 30, 2020 |
|--|----------------------------------|-----------------|-------------|-------------------------------------|
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Leasehold improvements | \$ 92,644 | \$ 1,500 | \$ - | \$ 94,144 |
| Computers and office equipment | 24,570 | 6,416 | - | 30,986 |
| Signs | 17,173 | - | - | 17,173 |
| | <u>134,387</u> | <u>7,916</u> | <u>-</u> | <u>142,303</u> |
| Total capital assets, being depreciated | | | | |
| Less: accumulated depreciation for: | | | | |
| Leasehold improvements | 80,931 | 5,142 | - | 86,073 |
| Computers and office equipment | 24,570 | 703 | - | 25,273 |
| Signs | 9,300 | 523 | - | 9,823 |
| | <u>114,801</u> | <u>6,368</u> | <u>-</u> | <u>121,169</u> |
| Total accumulated depreciation | | | | |
| Business-type activities capital assets, net | \$ <u>19,586</u> | \$ <u>1,548</u> | \$ <u>-</u> | \$ <u>21,134</u> |

Depreciation expense is charged to the following functions:

Business-type activities: \$ 6,368

Note 5 - Boca Park Land Lease

Effective October 23, 1986, the Authority entered into a lease agreement with the Board of Trustees (the "Trustees") of the Internal Improvement Trust Fund of the State of Florida (the "State") to lease approximately 52 acres of land owned by the State of Florida in Palm Beach County (the "Boca Park"). In accordance with Florida Statutes Section 159.705 (10), the land is to be used as a research and development park. Effective April 18, 1990, the lease was amended to extend the lease term for an additional forty-eight (48) years, with a revised termination date of October 2085.

Effective July 18, 2001, the Authority entered into an additional lease agreement with the Trustees to lease approximately 17 acres of additional adjacent land owned by the State, in accordance with Section 159.705 (10), Florida Statutes, for use as a research and development park. This agreement also has an expiration date of October 2085.

The leases require no annual lease payments throughout the ninety-nine (99) year term and expiring in October 2085.

Use and Control of Boca Park Land: The Boca Park was created for the purpose of promoting scientific research and development in affiliation with and related to the research and development activities of one or more state-based, accredited, public or private institutions of higher education; and for the purpose of financing and refinancing capital projects related to establishment of a research and development park in affiliation with one or more institutions of higher education, including facilities that complement or encourage the complete operation thereof as defined by, and in the manner provided by, the Florida Industrial Development Financing Act. The Authority is authorized to sublease the Boca Park land to third parties in accordance with the Conceptual Plan of Development, which has been approved by the Trustees. The Authority has full and sole control of and responsibility for the development, subleasing, management and use of the Boca Park land.

Upon the expiration or termination of the lease agreements, all improvements upon Boca Park land shall become and be the property of the Trustees and title thereto.

Note 6 - Boca Park Land Sublease to Boca Research Park, LTD.

Effective May 1, 1991, and subsequent amendments, the Authority entered into a non-cancellable sublease agreement for approximately 39 acres of Boca Park land, with Boca Research Park Ltd., (the "Boca Park Lessee"). In addition to this sublease, the Authority entered into additional subleases with the Boca Park Lessee in July 2006 and 2007 for approximately 5 and 4 acres, respectively. All of the subleases with the Boca Park Lessee are set to expire at various times through October 2085.

Rent: Base rent for each lease term year is \$ 0.075 per square foot of land, subject to annual increases based on the Consumer Price Index (hereafter the "minimum rent"). However, for land subleased to a third party by the Boca Park Lessee, base rent is equal to the aggregate of (i) the lesser of (1) 10% of the "Lessee's Gross Rent" for such lease year or (2) minimum rent per square foot of land subleased; plus (ii) 40% of the Lessee's gross rent received for and during such lease year by the Boca Park Lessee in excess of \$ 0.75 per square foot of land subleased. In addition to the base rent, the Boca Park Lessee is responsible for all taxes, costs, fees, and other charges associated with the land and any improvements thereon.

Note 6 - Boca Park Land Sublease to Boca Research Park, LTD. (continued)

On the last day of the term or any earlier termination of these subleases, the Boca Park Lessee will surrender title to all buildings, equipment and other improvements developed, constructed or installed on the Boca Park land to the Authority. For and during the term of these subleases, all buildings, equipment and other improvements will constitute separate property of the Boca Park Lessee.

In addition, the Authority subleases approximately 4 acres to the ARC of Palm Beach County and the Boca Raton Airport Authority.

The following is an estimated schedule of approximate minimum future rental revenues from the Boca Park Lessee and subleases noted above, based on the established rates as of September 30, 2021:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|--------------------------------------|----------------------|
| 2022 | \$ 246,000 |
| 2023 | 246,000 |
| 2024 | 246,000 |
| 2025 | 246,000 |
| 2026 | 246,000 |
| 2027-2086 | <u>14,258,000</u> |
| | <u>\$ 15,488,000</u> |

During the years ended September 30, 2021 and 2020, rental revenues aggregated to approximately \$ 245,500 and \$ 242,000, respectively.

Note 7 - Deerfield Park Land Lease

Effective June 4, 2003, the Authority entered into a lease agreement with the City of Deerfield Beach (the "City") to lease approximately 10 acres of land (the "Deerfield Park"), which is owned by the City. On May 16, 2004, the Authority exercised the option to lease approximately 4 additional acres of land from the City. The leases require annual lease payments of \$ 1, for a term of ninety-nine (99) years, terminating in June 2102.

Use and Control of Deerfield Park Land: The Deerfield Park was created for the purpose of promoting scientific research and development in affiliation with and related to the research and development activities of one or more state-based, accredited, public or private institutions of higher education; and for the purpose of financing and refinancing capital projects related to establishment of a research and development park in affiliation with one or more institutions of higher education, including facilities that complement or encourage the complete operation thereof as defined by, and in the manner provided by, the Florida Industrial Development Financing Act. The Authority is authorized to sublease the Deerfield Park land to third parties. The Authority has full and sole control of and responsibility for the development, subleasing, management and use of the Deerfield Park land.

Upon the expiration or termination of the lease agreements, all improvements upon the Deerfield Park shall become and be the property of the City and title thereto.

Note 8 - Deerfield Park Land Sublease to Deerfield Research Park, Ltd.

Effective June 4, 2003, and subsequent amendments, the Authority entered into a non-cancelable sublease agreement for a total of approximately 14 acres of Deerfield Park with Deerfield Research Park, Ltd. (the “Deerfield Park Lessee”). The sublease with the Deerfield Park Lessee is set to expire June 3, 2102.

Rent: Base rent is equal to approximately \$ 0.35 per square foot of land, subject to annual increases based on the Consumer Price Index. In addition to the base rent, the Deerfield Park Lessee is responsible for all taxes, costs, fees, and other charges associated with the land and any improvements thereon. Development of the Deerfield Park has been divided into four different projects, in which base rent is divided into separate sections: Phase 1, Phase 2, Phase 3 were assigned to Deerfield Trust and Parcel 4 remained with the Deerfield Park Lessee.

During the year, the Authority and the Deerfield Park Lessee entered into a provisional agreement with a third party to assume the lease from Deerfield Park Lessee.

On the last day of the term or any earlier termination of this sublease, the Deerfield Park Lessee will surrender title to all buildings, equipment and other improvements developed, constructed or installed on the Deerfield Park land to the Authority. For and during the term of these subleases, all buildings, equipment and other improvements will constitute separate property of the Deerfield Park Lessee.

The following is an estimated schedule of approximate minimum future rental revenues from the Deerfield Park Lessee, based on the established rates as of September 30, 2021:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|--------------------------------------|----------------------|
| 2022 | \$ 230,000 |
| 2023 | 172,000 |
| 2024 | 172,000 |
| 2025 | 172,000 |
| 2026 | 172,000 |
| 2027-2102 | <u>13,221,000</u> |
| | <u>\$ 14,139,000</u> |

During the years ended September 30, 2021 and 2020, rental revenues aggregated approximately \$ 248,000 and \$ 239,000, respectively.

Note 9 - Incubator Leases

In previous years, the Authority, as lessee, entered into lease agreements for space in the Technology Business Incubator (the “Incubator”) with Boca R&D Project 7, LLC., which subleases space from the Boca Park Lessee within the Boca Park. Since the initial agreement in 2000, the Authority has amended the agreement, increasing their space from 10,805 to 13,852 square feet, and extended the term of the lease until April 30, 2025 with an option to renew for an additional 60 months. The Authority lease the space noted above, at which the lease agreements specify that the current base rent is \$ 17.25 per square foot and is to be adjusted annually by the inflation rate up to 2.50%. In addition to the base rent, the Authority is also responsible for its proportionate share of operating costs and common area maintenance (CAM).

Note 9 - Incubator Leases (continued)

Rent expense is recognized on a straight-line basis. The difference between the base rent and payments made and the amount of rent expense recognized is included in accrued expenses and totaled, in the aggregate, at September 30, 2021 approximately \$ 58,600.

The following is an estimated schedule of approximate minimum future base rent payments under the terms of the operating Incubator lease:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|--------------------------------------|---------------|
| 2022 | \$ 249,000 |
| 2023 | \$ 255,000 |
| 2024 | \$ 262,000 |
| 2025 | \$ 155,000 |
| Thereafter | None |

Rent expense, including operating costs and common area maintenance, under the lease amounted to approximately \$ 337,000 and \$ 313,000 for the years ended September 30, 2021 and 2020, respectively.

Note 10 - Incubator Expenses

Incubator expenses allocated as program expenses are as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------------|------------------|------------------|
| Utilities | \$ 32,906 | \$ 35,230 |
| Repairs and maintenance | 30,195 | 25,631 |
| Sponsorship and events | 16,815 | 12,765 |
| Depreciation | 9,799 | 6,368 |
| Marketing | 2,873 | 4,100 |
| Other support expenses | 871 | 1,217 |
| | <u>\$ 93,459</u> | <u>\$ 85,311</u> |

Note 11 - Incubator Subleases

The Authority, as lessor, subleases its leased spaces to various research and development technology companies on a month-to-month basis. Base rent for the subleased spaces is dependent on the square footage of the space being leased and is increased annually based on the lease agreements mentioned in Note 9. In addition to the base rent, the various technology companies are also responsible for other operating costs and common area maintenance. The revenue from these leases and their relating additional costs for the year ended September 30, 2021 and 2020, totaled approximately \$ 215,000 and \$ 251,000, respectively.

Note 12 - Defined Contribution Plan

The Authority participates in a multi-employer defined contribution plan (the “Plan”) - the 401(a) Plan under the Florida Municipal Pension Trust Fund. This plan is available to all employees and provides for voluntary employee contributions as well as matching employer contribution of up to 4% of employee salary. The Authority made contributions to the Plan of approximately \$ 10,300 and \$ 9,800 for the years ended September 30, 2021 and 2020, respectively, which are included in employee benefit costs. The Plan is administered by the Florida League of Cities.

Note 13 - Related Party Transactions

In 1998, the Florida Atlantic University Research and Development Park Maintenance Association, Inc. (“the Association”) was incorporated. The Association’s Articles of Incorporation provides that the Authority appoint two (2) of its seven (7) members to manage the affairs of the Association. The by-laws of the Association give the Association powers to make application to the Authority for funds to support, and to defray expenses and costs of the research and development functions of the Association. Since the incorporation, no such application has been made.

During the year ended September 30, 2021, the Authority entered into an agreement with Florida Atlantic University (the “University”), whereas the Authority would provide \$ 50,000 to the University for project and research relating costs.

During the year, the Authority leased property at standard rates to a company, whose principal owner is a member of the board.

Note 14 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority obtains its general liability, property and worker’s compensation insurance coverage through the Florida Municipal Investment Trust, a program sponsored and administered by the Florida League of Cities. The Florida Municipal Investment Trust (FMIT) is a risk pool that assumes risk of loss for all participating members. The members are subject to additional premiums in the event the risk pool requires additional funding to satisfy all claims. There have been no settlements or claims in the last three years.

Note 15 - Contingencies

Grants are subject to annual renewal and periodic amendment and require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. If any expenses are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor agencies becomes a liability of the Authority.

Note 16 - Uncertainties

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the *World Health Organization* designated the coronavirus outbreak a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Authority's financial position, operations and cash flows. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are developing.

OTHER REPORTS OF INDEPENDENT AUDITORS



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 Members
Florida Atlantic Research and Development Authority

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 the business-type activities of the Florida Atlantic Research and Development Authority (the "Authority"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the Authority’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 financial statements. 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 3, 2021

INDEPENDENT AUDITOR'S REPORT TO AUTHORITY MANAGEMENT

To the Members
Florida Atlantic Research and Development Authority

Report on the Financial Statements

We have audited the financial statements of Florida Atlantic Research and Development Authority (the "Authority"), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated December 3, 2021.

Auditor's 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 Auditor General.

Other Reports Requirements

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*; and Independent Accountant's 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, which are dated December 3, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(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 financial audit report. There were no findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(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 Florida Atlantic Research and Development Authority was established in 1985 under the provisions of Chapter 159 of the laws of the State of Florida. The Authority does not have any component units.

Financial Condition and Management

Section 10.554(1)(i)5.a. 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 or not the Authority 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 the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(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.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Sections 10.554(1)(i)6 and 10.554(1)(i)7, Rules of the Auditor General, the Authority reported the specific information in Exhibit 1 accompanying this report. The information for compliance with Section 218.39(3)(c), Florida Statutes and Sections 10.554(1)(i)6 and 10.554(1)(i)7, Rules of the Auditor General, 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.

Additional Matters

Section 10.554(1)(i)3., 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, the Board of Commissioners of Palm Beach and Broward Counties, Florida, the members of the Authority, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 3, 2021

Florida Atlantic Research and Development Authority

Exhibit 1

Data Elements Required By Section 218.39(3)(c), Florida Statutes and Sections 10.554(1)(i)6 and 10.554(1)(i)7, Rules of the Auditor General (Unaudited)

| Data Element | Comments |
|--|-----------------|
| Number of district employees compensated at 9/30/2021 | 3 |
| Number of independent contractors compensated in September 2021 | 1 |
| Employee compensation for FYE 9/30/2021 (paid/accrued) | \$283,616 |
| Independent contractor compensation for FYE 9/30/2021 (paid/accrued) | \$3,970 |
| Each construction project to begin on or after October 1; (>\$65K) | None |
| Budget variance report | Not applicable |
| Ad valorem taxes: | |
| Millage rate FYE 9/30/2021 | Not applicable |
| Ad valorem taxes collected FYE 9/30/2021 | Not applicable |
| Non ad valorem special assessments: | |
| Special assessment rate FYE 9/30/2021 | Not applicable |
| Special assessments collected FYE 9/30/2021 | Not applicable |
| Outstanding Bonds: | Not applicable |

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

To the Members
Florida Atlantic Research and Development Authority

We have examined Florida Atlantic Research and Development Authority's (the "Authority"), compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021. Management is responsible for the Authority's compliance with the specific requirements. Our responsibility is to express an opinion on the Authority's compliance with the specific 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 the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with the specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

This report is intended solely for the information and use of the Board of Commissioners of Palm Beach and Broward Counties, Florida, the members of the Authority and applicable 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.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 3, 2021

CPA's + Trusted Advisors