

**ENTERPRISE FLORIDA, INC.
AND CONSOLIDATED ENTITIES
(A COMPONENT UNIT OF THE STATE
OF FLORIDA)**

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

And Report of Independent Auditor

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

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Report of Independent Auditor

To the Members of the Board of Directors
Enterprise Florida, Inc.
Orlando, Florida:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Enterprise Florida, Inc. and consolidated entities (the "Organization"), a component unit of the State of Florida, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles general accepted in the United States of America.

Emphasis-of-matter

As discussed in Note 1 and Note 6, the consolidated financial statements include investments in venture capital partnerships and direct investments valued at \$21,156,371 and \$52,865,051, respectively, representing 42% of net assets at June 30, 2016, whose values have been estimated by the Organization in the absence of readily determinable market values. The Organization's estimates are based on information provided by the venture capital partnerships and the fund manager of the direct investments. Due to the inherent uncertainty of these estimates, these values may differ significantly from the values that would have been used had a ready market for these investments existed, and the differences could be material.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements and schedule of activities by consolidated entity listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the Florida Auditor General*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Orlando, Florida
November 17, 2016

CONSOLIDATED FINANCIAL STATEMENTS

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2016

ASSETS

Cash and cash equivalents:		
Operating	\$	5,569,036
Limited as to use		186,055,777
Due from State of Florida		7,285,752
Accounts and loans receivable, net		7,091,936
Loans receivable under the State Small Business Credit Initiative, net		22,495,971
Interest receivable and other assets		1,877,297
Leaseholds, furniture and equipment, net		600,255
Enterprise Florida investments under the Small Business Technology Growth Fund		900,000
Florida Opportunity Fund investments in venture capital partnerships		21,156,371
Florida Opportunity Fund direct investments:		
Clean Energy Investment Program		24,969,422
Florida Venture Capital Program		27,895,629
		<u>305,897,446</u>
Total Assets	\$	<u>305,897,446</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts and grants payable	\$	3,841,694
Accrued liabilities		1,036,102
Escrow payable		110,440,211
Accrued annual fund manager fees		6,697,433
Deferred revenue		6,589,250
		<u>128,604,690</u>
Total Liabilities		<u>128,604,690</u>

Net Assets:

Unrestricted		10,415,835
Temporarily restricted		166,876,921
		<u>177,292,756</u>
Total Net Assets		<u>177,292,756</u>

Total Liabilities and Net Assets	\$	<u>305,897,446</u>
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ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
State operating assistance	\$ 16,725,173	\$ 16,610,496	\$ 33,335,669
Private investment contributions	1,662,500	845,970	2,508,470
Event revenue	980,487	250,596	1,231,083
Federal grant assistance	-	72,708	72,708
In-kind contributions	243,340	-	243,340
Management and administration fees	11,361	-	11,361
Net appreciation in fair value of investments	-	17,420,336	17,420,336
Other income	139,469	958,514	1,097,983
Net assets released from restrictions	18,147,933	(18,147,933)	-
Total Revenues	<u>37,910,263</u>	<u>18,010,687</u>	<u>55,920,950</u>
Expenses:			
Marketing and promotion	9,832,831	-	9,832,831
Grants to sub-recipients	8,318,333	-	8,318,333
Payroll and related costs	8,737,612	-	8,737,612
Professional fees	5,890,485	-	5,890,485
General and administrative	4,835,221	-	4,835,221
Depreciation	178,774	-	178,774
Total Expenses	<u>37,793,256</u>	<u>-</u>	<u>37,793,256</u>
Change in Net Assets Before Income			
Tax Expense	117,007	18,010,687	18,127,694
Income tax expense	116,560	-	116,560
Change in Net Assets	447	18,010,687	18,011,134
Net Assets, Beginning of Year	<u>10,415,388</u>	<u>148,866,234</u>	<u>159,281,622</u>
Net Assets, End of Year	<u>\$ 10,415,835</u>	<u>\$ 166,876,921</u>	<u>\$ 177,292,756</u>

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities:	
Increase in net assets	\$ 18,011,134
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	178,744
Net appreciation in fair value of investments	(17,420,336)
Changes in:	
Due from State of Florida	(340,983)
Accounts and loans receivable	(1,139,628)
Interest receivable and other assets	(410,701)
Accounts and grants payable	534,638
Accrued liabilities	(350,739)
Escrow payable	24,980,258
Accrued annual fund manager fees	(671,553)
Deferred revenue	(2,442,091)
Net Cash Provided by Operating Activities	<u>20,928,743</u>
Cash Flows From Investing Activities:	
Proceeds from investment distributions	8,844,397
Purchases of equipment	(19,693)
Funding of loans receivable	(3,536,391)
Funding of fund of funds investments	(2,268,089)
Funding of direct investments	(6,742,395)
Net Cash Used in Investing Activities	<u>(3,722,171)</u>
Net Increase in Cash and Cash Equivalents	17,206,572
Cash and Cash Equivalents, Beginning of Year	<u>174,418,241</u>
Cash and Cash Equivalents, End of Year	<u>\$ 191,624,813</u>
Classified in Consolidated Statement of Financial Position:	
Cash and cash equivalents - operating	\$ 5,569,036
Cash and cash equivalents - limited as to use	186,055,777
Cash and Cash Equivalents, End of Year	<u>\$ 191,624,813</u>
Supplemental schedule of non cash investing activities:	
Conversion of loan to equity	<u>\$ 2,312,765</u>

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies

Organization

Enterprise Florida, Inc. ("Enterprise Florida") is a not-for-profit corporation created by Chapter 288, Florida Statutes and incorporated on February 18, 1993 as a public-private partnership responsible for leading Florida's statewide economic development efforts. Its mission is to facilitate job growth for Florida's businesses and citizens leading to a vibrant statewide economy. Enterprise Florida is a discretely presented component unit of the State of Florida (the "State"), included in state-wide financial statements, as it is legally separate but has a significant relationship with the State of Florida. All revenues in excess of expenditures remain committed to further the purpose of Enterprise Florida.

The accompanying consolidated financial statements include the accounts of Enterprise Florida and organizations controlled by Enterprise Florida, including Florida Sports Foundation Inc. (the "Foundation"), Team Florida Marketing Partnership, LLC ("Team Florida") and Florida Opportunity Fund (comprised of Florida Opportunity Fund, Inc. ("FOF") and its wholly-owned subsidiary, FOF PA II, Inc.) (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated.

The Foundation promotes and develops sports related industries, amateur sports activities, and physical fitness programs. This non-profit corporation merged into the Organization on August 29, 2011 pursuant to legislation contained in Florida Statute 288.901, and now comprises the Sports Development unit of Enterprise Florida. Enterprise Florida is the Foundation's sole member.

FOF was created on July 13, 2007 by Enterprise Florida pursuant to the Florida Capital Formation Act under Florida Statutes 288.9621-288.9625. Enterprise Florida facilitated the creation of FOF, is its sole member and controls its majority voting interest through appointment of its Board of Directors. Enterprise Florida also provided FOF's initial capital through funds appropriated by the State of Florida. FOF is not a public corporation or instrumentality of the State.

FOF's initial purpose was to provide seed capital and early stage venture equity capital for emerging companies in the State, including, without limitation, enterprises in life sciences, information technology, advanced manufacturing processes, aviation and aerospace, and homeland security and defense, as well as other strategic technologies. Subsequent to initial capital funding, FOF has also been empowered by the Statute to make direct investments, including loans, in individual businesses and infrastructure projects. FOF receives and invests capital for the Clean Energy Investment Program and the Florida Venture Capital Program under the State Small Business Credit Initiative.

FOF PA II, Inc. was incorporated on August 23, 2012 as a for-profit corporation for which FOF is the sole shareholder. FOF PA II, Inc. was established to hold an investment in the Florida Venture Capital Program for which income is passed to the investor.

Team Florida Marketing Partnership, LLC was established as a separate Limited Liability Company (LLC) on February 23, 2015, with a separate initial legislative funding grant of \$10,000,000. Team Florida creates marketing programs to promote the State of Florida for trade and investment. Enterprise Florida is Team Florida's sole member.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Enterprise Florida is related through common purpose with Florida Development Finance Corporation, which is not included in these consolidated financial statements. Enterprise Florida provides management and accounting services to this related party (See Note 11). In accordance with 2011 legislation, Enterprise Florida also has operating relationships with Visit Florida, through contracting for tourism-related marketing services and governing board appointments, and with Space Florida, where governmentally appointed members of Enterprise Florida's Board of Directors also serve as Directors of Space Florida.

Enterprise Florida operates through units, each headed by a senior officer who reports to the chief operating officer. These are:

- **Administration** – provides all administrative services to the Organization such as the executive office, human resources, contracts and compliance, information technology and accounting.
- **Business Development** – responsible for coordinating national and international business development by managing projects to increase capital investment and jobs in Florida. It facilitates the most effective use of business incentives and assists existing businesses in expanding both jobs and capital investment.
- **International Trade and Development** – focuses on international trade programs to expand the number of Florida companies exporting Florida products and services. It also manages key international relationships to improve Florida's international business and global reputation in the following countries: Brazil, Canada, China, Czech Republic, Germany, Israel, Japan, Mexico, France, South Africa, Spain, Taiwan and the United Kingdom.
- **Information, and Communications** – coordinates Team Florida events for marketing and promotion of Florida for trade and investment. The unit also manages all corporate communications.
- **Marketing and Branding** – Team Florida Marketing Partnership, LLC operates as a subsidiary of Enterprise Florida, responsible for establishing and building a pro-business image for the state by identifying and marketing Florida to targeted industry decision makers and business leaders. It develops, coordinates, and implements a statewide strategic plan for Florida brand recognition.
- **Minority and Small Business, Entrepreneurship and Capital** – is responsible for small and minority business programs. It also administers special capital programs such as those of FOF and the State Small Business Credit Initiative and supports the Florida Development Finance Corporation.
- **Sports Development** – Florida Sports Foundation, Inc. operates as a subsidiary of Enterprise Florida, working to strengthen the economic impact of sports events through grants as well as identifying business expansion or development opportunities linked to sports related activities. It also develops, fosters and coordinates services and programs for amateur sports through the Sunshine State Games and the Florida Senior Games State Championships.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

- **Strategic Partnerships** – maintains and enhances relationships with primary partners and stakeholders to strengthen support of economic development initiatives and increase job growth. It maintains and expands investor support and Board participation. It assists communities by increasing their competitiveness when vying for job creation projects. It retains and maximizes opportunities to enhance the Department of Defense investment in Florida through management of defense grant programs and the Florida Defense Support Task Force activities.
- **Tourism Marketing** – works to promote travel and drive visitation to and within Florida. This role is contracted with Visit Florida, which serves as the sole statewide destination marketing organization representing the entire Florida tourism industry.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as temporarily restricted (see Note 8) or unrestricted net assets. In addition, net assets of consolidated subsidiaries which are more limited than the broad scope of the consolidated entity are presented as temporarily restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include the operating accounts of Enterprise Florida and cash and cash equivalents limited as to use. The Organization considers all highly liquid financial investments purchased with an original maturity date of three months or less to be cash equivalents. The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for substantially all depository accounts. The Organization from time to time may have had amounts on deposit in excess of the insured limits. As of June 30, 2016, the Organization had \$190,374,813 which exceeded these insured amounts; \$26,903,923 of which was FOF deposits. Bank deposits include \$118,356,363 held for the State of Florida. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Organization has not experienced any losses on such accounts.

Cash and Cash Equivalents Limited as to Use

In order to ensure compliance with grant documents and/or performance contracts, Enterprise Florida has limitations on funds held in escrow and for grant funds received in advance of expenditure. Certain program guidelines require that funds be deposited into separate bank accounts, including the Microfinance Loan Guarantee Program, SSBCI Program, and escrow agreements with the State of Florida. In addition, cash and cash equivalents for FOF and the Foundation are limited for specific use by each entity in accordance with their designated purpose and contractual arrangements.

Loans Receivable

Management assesses the potential for loan loss reserves and contingencies based on quarterly reporting provided by the financial institution responsible for collecting payments, reporting interest, and handling defaults related to the loans and guarantees. The quarterly reporting provides information to management on the remaining loan and guarantees outstanding and any delinquent accounts, if applicable, at each quarter's end.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Management has evaluated all loans for potential losses and all guarantees for the potential of recording an associated loss reserve based on the contingency of ultimate payment being more likely than not. Based on this analysis, management has determined that a loan loss reserve as detailed in the following table is appropriate at June 30, 2016:

SSBCI Loan Participation Program	\$ 56,488
SSBCI Loan Guarantee Program	42,870
Small Business Technology Growth Fund	125,750
Total Loan Loss Reserve as of June 30, 2016	<u>\$ 225,108</u>

Leaseholds, Furniture and Equipment

Leaseholds, furniture and equipment are stated at cost, if purchased, or estimated market value at date of receipt, if acquired by gift. Depreciation is provided using the straight-line method over the estimated economic useful lives of the related assets as follows:

Leasehold improvements	5-7 years
Office furniture	5-7 years
Office equipment	5 years
Computers and software	3-5 years

Additions or improvements in excess of \$500 for the Foundation and \$1,000 for the other consolidated entities, with an estimated useful life exceeding a year, are capitalized. Repairs and maintenance costs are charged to expense as incurred.

Investments in Venture Capital Partnerships

FOF has investments in seven venture capital funds, which in turn directly invest in business enterprises. These investments are stated at estimated fair value based on net asset value information received from the limited partnerships.

Direct Investments

Enterprise Florida's direct investments from the Small Business Technology Growth Fund and FOF's direct investments from the Clean Energy Investment Program and from the Florida Venture Capital Program are presented in the accompanying consolidated financial statements at estimated fair value, as determined by management based on information provided by the investment fund manager. The values assigned to direct investments are based on available information and do not necessarily represent amounts that might ultimately be realized. Such amounts depend on future circumstances and cannot reasonably be determined until the individual investments are actually liquidated. Direct investments are in two privately held companies and an investment group of the Small Business Technology Growth Fund, in seven privately-held companies of the Clean Energy Investment Program and in twelve privately-held companies of the Florida Venture Capital Program. The nature of these investments provides the potential for risk of loss due to most being in early stages of operations. Fair values of direct investments are initially based on the price paid for the direct investments by FOF, adjusted as appropriate for indications of change in fair value, such as subsequent changes in prices paid for company stock, significant changes in company performance from that expected, estimated liquidation values considering preferred liquidation preferences and changes in industry comparable data, such as revenue multiples of similar companies and prices paid for similar companies through mergers and acquisitions.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

Vacation pay is accrued as earned by employees. Unused accumulated vacation pay, for which \$14,241 is included in accrued liabilities on the consolidated statement of financial position at June 30, 2016, is paid upon an employee's separation from service, up to a maximum of 120 hours.

Deferred Revenue

Enterprise Florida recognizes its pass-through grants to sub-recipients in the consolidated statement of activities as the amounts are eligible for reimbursement to the sub-recipients. Enterprise Florida records deferred revenue for the difference in the amount received from the State of Florida and the amount eligible for reimbursement to the sub-recipients, as this amount is considered a conditional promise to give and, therefore, does not meet the criteria for revenue recognition. Enterprise Florida also records deferred revenue for funds received in advance of payment under the Microfinance Loan Guarantee Program and for unamortized loan guarantee fees that, as a practical expedient for measurement, are realized as income over the life of the guarantees.

State Operating Assistance Revenue

State operating assistance revenue represents State appropriations for the Organization's operating funds, consisting of the following: unconditional promises to give that are available for unrestricted use; unconditional promises to give that are temporarily restricted for program use; and pass-through grants administered by Enterprise Florida that are recognized as revenue and expense when pass-through sub-recipients incur associated costs.

State Small Business Credit Initiative Revenue

During fiscal 2012, Enterprise Florida began to receive funding under an agreement with the Florida Department of Economic Opportunity ("DEO") for the State Small Business Credit Initiative ("SSBCI"). The SSBCI facilitates institutional lending and venture capital investing benefiting small businesses, so long as the proposed activities are consistent with the purpose of the funding. The SSBCI is directly funded by the DEO in total appropriations of \$97,662,349 from a contract awarded by DEO through Title III of the Small Business Jobs Act of 2010. Of this amount, \$89,119,107 has been allocated to Enterprise Florida, including \$45,436,207 to fund the Small Business Loan Program administered by Enterprise Florida, \$41,907,900 to be passed through to FOF for the Florida Venture Capital Program and \$1,775,000 in administrative funding.

Of the \$89,119,107 allocated, \$76,703,108 has been received or is receivable from DEO at June 30, 2016, \$44,770,105 of which was for the Small Business Loan Program, \$24,669,298 of which has been passed through to FOF for the Florida Venture Capital Program, \$1,775,000 of which was for administrative funding and the remaining \$5,488,705 is available to be allocated to a specific program.

SSBCI revenue represents restricted use funding received through the SSBCI funding agreement to support investing and loan activity and administrative costs.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Private Investment Contributions

Private investment contributions provided to Enterprise Florida are recognized as revenues in the period received. Private investment contributions provided to Enterprise Florida are generally available for unrestricted use by Enterprise Florida. Private investment contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Other donor restricted contributions are reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

In-kind Contributions

Donated goods and services are recorded at their fair market value at the date of receipt by the Organization. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Contributions of those services not meeting specified criteria are not recorded in the consolidated financial statements. In-kind contributions recognized in the consolidated statement of activities for the year ended June 30, 2016 consisted primarily of foreign office locations, advertising and publications used for promoting business and sports development in the State.

Advertising Costs

Advertising Costs are expensed when incurred and totaled \$551,988 for the year ended June 30, 2016 and are included in general and administrative expenses in the consolidated statement of activities.

Income Tax Status

Enterprise Florida, Florida Sports Foundation, and FOF are recognized by the Internal Revenue Service (IRS) as exempt from federal income tax on related income under Internal Revenue Code (IRC) Section 501(a), consisting of organizations described in Section 501(c)(3). Team Florida Marketing Partnership, LLC, as a single member LLC, is a disregarded entity for tax purposes. These entities are also exempt from state income taxes on related income pursuant to Chapter 220.13 of the Florida Statutes. Therefore, a provision for income taxes has not been included for these entities in the accompanying consolidated financial statements except for FOF, which includes a tax provision for FOF PA II as noted in the subsequent paragraph.

FOF PA II, Inc. is a for-profit corporation subject to income tax related to investments in pass-through entities and, accordingly, is responsible for income tax on investee taxable income based on its ownership percentage. Income tax expense of \$116,560 has been recognized in the consolidated statement of activities for the year ended June 30, 2016 for tax on pass-through income from the partnership interest. Income tax expense has not been recognized for appreciation on the value of this investment due to an option agreement that provides FOF the ability to purchase the partnership interest from FOF PA II at cost.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

The Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2016 and, accordingly, no liability has been accrued.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported time period. Actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents Limited as to Use

The Organization's cash and cash equivalents limited as to use consist of the following as of June 30, 2016:

Enterprise Florida Escrow	\$ 110,440,211
Programs administered by Enterprise Florida	
FL Defense Support Task Force	3,295,161
State Small Business Credit Support Initiative	28,903,169
Rural Strategic Marketing	1,350,776
Small Business Technology Growth Fund	22,938
Florida International Business Expansion Initiative	529,542
Military Base Protection	28,932
Minority Business Development	886,595
Florida Export Diversification and Expansion	790,771
Microfinance Loan Guarantee	4,833,375
Pass through grants administered by Enterprise Florida	
Funds restricted for grants programs	1,479,339
Total Enterprise Florida	<u>152,560,809</u>
Florida Opportunity Fund, Inc.	27,153,923
Florida Sports Foundation, Inc.	3,638,803
Team Florida Marketing Partnership, LLC	2,702,242
	<u>\$ 186,055,777</u>

Note 3 - Due From State of Florida

Amounts due from State of Florida consist of \$7,383,252 at June 30, 2016 under various contracts administered by the DEO, including \$144,136 receivable under the SSBCI.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 4 - Accounts and Loans Receivable

Accounts and loans receivable, which are presented at cost, include trade show events, 3 Small Business Technology Growth Fund unsecured loans with 5% interest payable upon loan maturity in fiscal 2017, and loans receivable of \$4,449,133 and \$2,528,323 under the Clean Energy Investment Program and the Florida Venture Capital Program, respectively. The Organization also has loans receivable of \$22,552,459, net \$56,488 of reserves, under its SSBCI Program. These loan receivables generally have repayment terms ranging from 6 months to 3 years.

Interest income is recorded on the accrual basis based on applicable interest rates and principal outstanding, and included in other income for the year ended June 30, 2016. There are no past due loans for which payment is delinquent or for which stated interest is not accrued.

Loan Guarantee Program

The Loan Guarantee Program is available to qualified businesses that demonstrate adequate historical and/or proposed cash flow coverage and other credit underwriting metrics. Enterprise Florida works with financial institutions to use this program as a credit enhancement to mitigate any perceived credit weaknesses on loans. Under each guarantee, should the borrower be delinquent for 120 days, the participating lending institution makes a demand for the guarantee which is funded by Enterprise Florida, which purchases a fifty percent participation in the loan and any recovery, to the extent of the guarantee.

The typical loan guarantee is between 5% and 50% of the total required financing and ranges from \$250,000 to \$1,000,000, with a maximum loan term of 5 years. Interest rates and fees are negotiable. Enterprise Florida receives a loan guarantee fee upfront, which is recognized on a straight-line basis as revenue over the term of the guarantee, and an ongoing fee, recognized as revenue in the year to which it relates, until the loan is paid off or the guarantee expires. The financial institution is responsible for collecting payments, reporting interest, and handling defaults.

The maximum potential future payments to be paid under guarantees were \$10,717,610 as of June 30, 2016. All remaining guarantees are for 3 years or less.

Note 5 - Leaseholds, Furniture and Equipment

Leaseholds, furniture and equipment consist of the following as of June 30, 2016:

Leasehold improvements	\$	227,468
Office furniture		541,975
Equipment and computer		1,213,373
		<u>1,982,816</u>
Less: accumulated depreciation		(1,382,561)
	\$	<u>600,255</u>

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 6 - Investments in Venture Capital Partnerships and Direct Investments

Investments in venture capital partnerships and direct investments are provided through three programs administered through FOF, including a Fund of Funds program and two direct investment programs. The Fund of Funds program represents the investments in venture capital partnerships, initially funded by \$29,500,000 of State appropriations subject to Florida Statute 288.9624 (the "Statute"). The Statute provides that FOF may invest this initial funding only in seed and early stage venture capital/angel funds focusing on opportunities in Florida; direct investments of Fund of Funds capital in individual businesses is prohibited.

Investments in Venture Capital Partnerships

FOF investments in venture capital partnerships consist of seven limited partnerships as presented in the accompanying financial statements at estimated fair value based on net asset value per share. Each of the investments made under the FOF's Fund-of-Funds Program are limited life limited partnerships (or other limited liability vehicles) that provide minimal redemption opportunities. Liquidity is achieved from the partnership through distributions in the form of cash and stock.

The term of each limited partnership is stated in its limited partnership agreement, as amended, and ranges from approximately 10 to 12 years, including any provisions for extensions. As of June 30, 2016, the Fund-of-Funds investments range in age from approximately 14 months to 51 months and the estimated remaining life of such investments range from approximately 5 years to 9 years. Each Fund-of-Funds investment term and estimated remaining life has been calculated based on its limited partnership agreement, including any term extensions effective as of June 30, 2016. A Fund-of-Funds investment may liquidate before its stated termination date or may require additional term extensions to complete its liquidation in an orderly manner. Fund-of-Funds investment term extensions are implemented in accordance with the respective limited partnership agreement for each investment.

As permitted, fair value for each Fund-of-Funds investment is determined by FOF based on its proportionate share of the underlying fair value of the net assets of the limited funds, derived from FOF's ownership percentage and audited financial statements provided by each investee. The audited financial statements provided by each investee are reviewed by the fund manager, and adjustments to net asset values provided by the fund manager are approved quarterly by management.

Direct Investments

The Clean Energy Investment Program

FOF entered into an agreement (the "Clean Energy Agreement") with the Florida Department of Agriculture and Consumer Services, Office of Energy ("DACS-OOE"), successor to the Florida Energy and Climate Commission, for the Clean Energy Investment Program. The Clean Energy Investment Program was created during fiscal 2010 and targets qualified Florida businesses with direct investments in three primary areas of focus: 1) facility and equipment improvement with energy-efficient and renewable energy products, 2) acquisition or demonstration of renewable energy products and 3) process improvement of existing production, manufacturing, assembly or distribution of operations to increase energy efficiency or reduce consumption. The direct investments may consist of debt and other instruments. The Clean Energy Investment Program is funded through a grant by the State of Florida, as sub-recipient to the United States Department of Energy, in the amount of \$36,089,000. As of June 30, 2016, FOF has cumulative capital contributions of \$36,089,000 for this program, of which all has been received.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 6 - Investments in Venture Capital Partnerships and Direct Investments (continued)

Administrative costs and expenses include annual fund manager fees equivalent to \$1,082,670 (3% of the program funding) which are accrued until program returns are available to pay accrued fees. FOF also incurs deal by deal fund manager success fees equal to 30% of the cumulative distributions that exceed invested capital for any investment.

The annual fund manager fees of 3% were initiated on May 3, 2010, totaling \$6,671,510 through June 30, 2016, of which \$2,165,340 had been paid based on the allowable cap specified in the Clean Energy Agreement and \$2,000,000 of which has been paid based on the closeout of an investment during the fiscal year ended June 30, 2015 that had cumulative distributions in excess of invested capital. This investment closeout also resulted in fund manager fees payable at June 30, 2016 of \$703,506, which includes success fees of \$211,052 and fund manager fees of \$492,454. The remaining unpaid accrued manager fees of \$2,013,716 at June 30, 2016 is payable when proceeds from dispositions and cumulative distributions of each program investment, net of fund manager success fees, exceeds the amount of capital invested. This amount is presented as accrued annual fund manager fees due to the probability of ultimate payment. Fund manager success fees for other investments have not been accrued on the financial statements since such fees are contingent on realized gains, which are not estimable and are dependent on future transactions. The contingent obligation for fund manager success fees, calculated as if all investments were sold at estimated fair value at June 30, 2016, is \$1,785,529 for the Clean Energy Investment Program.

The Clean Energy Agreement is set to terminate on March 31, 2025; however, DACS-OOE has the option to renew on the same terms and conditions for an additional five year term.

Florida Venture Capital Program

Enterprise Florida has an agreement (the "DEO Agreement") with the DEO for the SSBCI. The SSBCI was created by Congress, and funds were appropriated to the United States Department of the Treasury to be allocated and disbursed to States that have created capital programs for small businesses. The United States Department of the Treasury allocated funds to the State of Florida which then funded the Florida Venture Capital Program through the DEO as an agency of the State of Florida. The Florida Venture Capital Program utilizes SSBCI to provide direct investments in Florida businesses. The direct investments may consist of debt and other instruments. The expiration date of the DEO agreement is March 31, 2017, upon which all direct investment funding is to be completed, with no contractual stipulations regarding the return of the initial program funding of \$41,907,900. Of the initial funding available, \$38,507,608 has been committed for potential direct investments. Administrative costs include legal, accounting, insurance, other necessary expenses and annual fund manager fees of \$1,257,236 (3% of program funding), of which \$56,250 is payable quarterly and reimbursed through quarterly receipts from DEO through Enterprise Florida. FOF also incurs deal by deal fund manager success fees equal to 30% of the cumulative distributions that exceed invested capital for any investment.

The annual fund manager fees were initiated on November 18, 2011, totaling \$5,805,679 through June 30, 2016, of which \$982,757 had been paid through quarterly installments. At June 30, 2016 fund manager fees payable of \$174,758 consists of a quarterly installment of \$56,250, success fees of \$35,553 and additional fund manager fees of \$82,955. The remaining unpaid portion of \$4,683,717 at June 30, 2016 is payable to the extent reimbursable through \$56,250 quarterly installments and through payments of the accrued fund manager fees to the extent of the profit less the fund manager fees. Fund manager success fees have not been accrued on the financial statements if contingent on future realized gains, which are not estimable and are dependent on future transactions. The contingent obligation for fund manager success fees, calculated as if all investments were sold at estimated fair value at June 30, 2016, is \$4,302,241 for the Florida Venture Capital Program.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 6 - Investments in Venture Capital Partnerships and Direct Investments (continued)

Fair Value Hierarchy

The fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, provides three levels of inputs used to measure fair value. Because of the inherent uncertainty of valuations, estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed, and differences could be material.

FOF classifies its investments into a hierarchical disclosure framework as follows:

Level I - Securities traded in an active market with available quoted prices for identical assets as of the reporting date.

Level II - Securities not traded on an active market but for which observable market inputs are readily available or Level I securities where there is a contractual restriction as of the reporting date.

Level III - Securities not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

The cost basis of the Organization's Fund of Funds investments, Clean Energy direct investments and Florida Venture Capital Fund direct investments was \$17,772,818, \$17,002,850 and \$18,839,716, respectively, as of June 30, 2016. The following table summarizes the valuation of the Organization's investments, measured at fair value as of June 30, 2016, based on the level of input utilized to measure fair value:

	<u>Fair Value</u>	<u>Percent of Net Assets</u>
Level I	\$ 187,338	-
Level II	-	-
Level III	73,834,084	42%
Total investments	<u>\$ 74,021,422</u>	<u>42%</u>

The \$187,338 Level I investment represents stock in a publicly traded company in the Clean Energy Investment Program. This, together with Level III investments of \$24,782,084, is presented as direct investments of \$24,969,422 under the Clean Energy Investment Program on the Consolidated Statement of Financial Position. Remaining Level III investments consist of \$21,156,371 in FOF Fund-of-Fund investments, \$27,895,629 in FLVCP direct investments and \$900,000 in Enterprise Florida Small Business Technology Growth Fund ("SBTGF") direct investments.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 6 - Investments in Venture Capital Partnerships and Direct Investments (continued)

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level III):

	SBTGF Investments	Fund-of-Funds Investments	Clean Energy Direct Investments	FLVCP Direct Investments
Opening Balance at 7/1/15	\$ 900,000	\$ 20,362,563	\$ 14,097,672	\$ 18,015,481
Total gains or losses (realized and unrealized) included in changes in net assets	-	944,936	6,510,948	9,818,475
Contributions	-	2,268,089	2,000,000	2,206,582
Conversion of loan	-	-	2,173,464	362,362
Distributions	-	(2,419,217)	-	(2,507,271)
Ending Balance at 6/30/16	<u>\$ 900,000</u>	<u>\$ 21,156,371</u>	<u>\$ 24,782,084</u>	<u>\$ 27,895,629</u>
The amount of total gains (losses) for the year included in changes in net assets attributable to assets still held at the reporting date	<u>\$ -</u>	<u>\$ (1,096,147)</u>	<u>\$ 6,510,948</u>	<u>\$ 9,133,634</u>

FOF relies on the fund manager to oversee the valuation process of the Organization's Level III direct investments. Although management is responsible for overseeing the Organization's valuation processes and procedures, the fund manager is responsible for conducting periodic reviews of fair value for each direct investment and for presenting results of fair value assessments to management.

The fund manager determines the valuations of the Fund's Level III direct investments on at least a semi-annual basis. Valuations determined by the Organization are required to be supported by market data, industry accepted third-party valuation models, prior company financing or other methods the fund manager deems appropriate, including the use of internal proprietary valuation models.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 6 - Investments in Venture Capital Partnerships and Direct Investments (continued)

When quantitative unobservable inputs are used in the valuation of Level III investments, the valuation technique, the unobservable input, and the quantitative amount used in the valuation require disclosure. The Organization had one investment in the Clean Energy Investment Program and two investments in the Florida Venture Capital Program for which quantitative unobservable inputs were used in measuring the fair value at June 30, 2016, as follows:

Asset	Fair Value	Valuation Technique	Unobservable Input	Valuation Multiple
CEIP - Direct Investment	\$ 2,348,248	Market Approach	Revenue	2.5x
FLVCP - Direct Investment	\$ 10,259,948	Market Approach	Revenue	3.6x
FLVCP - Direct Investment	\$ 3,985,454	Market Approach	Revenue	5.4x

Note 7 – Escrow Payable

The State has awarded a total of \$202,791,527 to seventy-seven companies under the State's incentive programs through June 30, 2016. These awards were intended to fund business projects to further job creation. DEO, along with the consent of these companies, appointed Enterprise Florida as the escrow agent to hold these funds for disbursement to the companies in accordance with the State's incentive programs.

Through June 30, 2016, Enterprise Florida paid \$46,879,203 to thirty companies that certified to DEO they had met their contract requirements under the program. Enterprise Florida has returned \$45,472,087 to DEO for seventeen companies that were not able to complete their program requirements. Enterprise Florida recorded the remaining \$110,440,211 as an escrow payable at June 30, 2016.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 8 – Temporarily Restricted Net Assets

The Organization classifies Enterprise Florida net assets as temporarily restricted based on agreements with the State, wherein funding may not be utilized for the general purpose of Enterprise Florida, and classifies net assets of FOF, the Foundation, and Team Florida as temporarily restricted since their use is specifically limited for the purposes of those consolidating entities. Temporarily restricted net assets consist of the following as of June 30, 2016:

Enterprise Florida:

State Small Business Credit Initiative	\$ 50,689,437
Florida Defense Support Task Force	3,292,902
Rural Strategic Marketing	1,350,776
Small Business Technology Growth Fund	950,188
Florida International Business Expansion Initiative	514,452
Military Base Protection	29,704
Florida Export Diversification and Expansion	1,048,212
State Trade and Export Program	12,320
Total Enterprise Florida temporarily restricted net assets	<u>57,887,991</u>

Florida Opportunity Fund, Inc.	101,968,336
Florida Sports Foundation, Inc.	1,732,383
Team Florida Marketing Partnership, LLC	5,288,211
Total temporarily restricted net assets	<u>\$ 166,876,921</u>

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 9 – State Operating Assistance Revenue

Performance contracts and pass-through grants with the state of Florida for the year ended June 30, 2016 are as follows:

Operating funds provided to Enterprise Florida, Inc.	\$ 14,000,000
Pass-through grants administered by Enterprise Florida, Inc.:	
Visit Florida	75,075,438
Defense Infrastructure	2,017,044
Defense Reinvestment	705,730
Military Base Protection	2,399
Total Pass-through grants	<u>77,800,611</u>
Less: Pass-through grants not presented as activities	<u>(75,075,438)</u>
Total unrestricted state operating assistance	<u>16,725,173</u>
Other programs administered by Enterprise Florida, Inc.:	
Florida Export Diversification and Expansion Program	1,000,000
Florida Defense Support Task Force - Administration	187,500
Florida Defense Support Task Force - Programs	736,310
	<u>1,923,810</u>
Florida Sports Foundation, Inc. - Programs	1,900,000
Florida Sports Foundation, Inc. - Tag Revenue	2,786,686
	<u>4,686,686</u>
Team Florida Marketing - Operating	<u>10,000,000</u>
Total temporarily restricted revenue	<u>16,610,496</u>
Total State operating assistance revenue	<u>\$ 33,335,669</u>

Pass-through grants amounting to \$75,075,438 have been excluded from recognition in the consolidated statement of activities because they represent agency transactions which have been line item appropriated in the State budget. Other pass-through grants amounting to \$2,725,173 are reflected as both revenues and expenses in the consolidated statement of activities as they meet the criteria for recognition as activities. The contract with the state of Florida requires Enterprise Florida to return all interest income earned on state pass-throughs and grant funds to the state of Florida. As these funds must be returned to the State, Enterprise Florida does not record the revenue associated with these earnings. Instead, a liability to the State is recorded as interest is earned.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 10 - Retirement Plans

Enterprise Florida sponsors a 401(K) defined contribution retirement plan (the "Plan") covering all its employees that are age 21 or older. It is subject to the provisions of the Employee Retirement Security Act of 1974 (ERISA).

Participants may contribute up to 100% of compensation, as defined in the Plan, but may not exceed the maximum amount allowable by the Internal Revenue Code ("IRC"), which is currently \$18,000. Enterprise Florida's contributions to the Plan beyond the 3% safe harbor are discretionary. Currently Enterprise Florida matches 25% of the first 4% of wages the employee contributes and makes an additional contribution equal to 10% of employee wages (3% of which is designated as safe harbor and is not discretionary). Investments of contribution are self-directed by participants within investments provided for by the Plan.

Participants are immediately vested in their contributions and earnings thereon. Vesting in Enterprise Florida's contributions is based on years of service. A participant vests at 33.33% annually until fully vested upon completion of three years of credited service. Any participant employed at the date of total and permanent disability, death or the attainment of normal retirement age, as defined, is deemed to be 100% vested. Contributions made toward the safe harbor are immediately vested.

Enterprise Florida contributed a total of \$664,586 to the Plan and all expenses related to the Plan were paid from forfeitures during the year ended June 30, 2016.

The Foundation has a defined contribution money purchase pension plan covering all of the full-time employees it had prior to the merger with Enterprise Florida. On the date of merger, all Foundation employees became employees of Enterprise Florida and members of the Enterprise Florida Plan. No further contributions have been made to the Foundation's defined contribution money purchase pension plan since the date of merger. Investments are self-directed by participants and accounts vest over a six year period.

Note 11 - Related Party Transactions

The Organization has considerable activity with the State and Visit Florida, as presented on the consolidated financial statements and throughout the notes to the consolidated financial statements.

Management fees charged by Enterprise Florida to Florida Development Finance Corporation were \$50,000 during the year ended June 30, 2016 and are included in management and administration fees revenue on the consolidated statement of activities.

Enterprise Florida recorded \$1,675,000 of contributions from entities that had employees on the Board of Directors during the year ended June 30, 2016.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 12 - Commitments and Contingencies

Operating Lease Commitments

The Organization is obligated under noncancelable operating leases for office facilities and equipment. At June 30, 2016 future minimum lease payments under noncancelable operating leases are as follows for the years ending June 30:

2017	\$ 1,152,537
2018	1,013,395
2019	590,252
2020	581,520
Thereafter	778,483
	<u>\$ 4,116,187</u>

The Organization's rental expenses totaled \$1,282,423 for the year ended June 30, 2016 and are included in general and administrative expenses on the consolidated statement of activities.

Capital Investment Commitments

FOF has committed \$26,000,000 to seven limited partnerships in fund of funds investments, of which \$6,185,631 remains subject to additional capital calls as of June 30, 2016. For the Clean Energy Investment Program, FOF has committed \$32,036,727 to eight direct investments, of which \$4,970,000 remains subject to investment in the respective companies and from which \$5,354,308 in capital has been returned. For the Florida Venture Capital Program, FOF has committed \$38,507,608 to fourteen direct investments, of which \$13,838,310 remains subject to investment in the respective companies and from which \$3,450,180 has been returned.

Grants and Contracts Contingency

Grants and contracts require the fulfillment of certain conditions set forth in the agreements, including certain match requirements which may be subject to audit and adjustment by grantor/contracting agencies. In the opinion of management, any such adjustments would not be material to the Organization's financial statements.

Fund Manager Fees Contingency

The Organization is committed for fund manager fees under its amended Investment Management Agreement, dated September 16, 2008. The agreement has an initial term of ten years and a five year extension provision subject to terms defined in the Investment Management Agreement. Quarterly fund manager fee commitments are \$81,125, \$270,668 and \$314,309 for the Fund of Funds, Clean Energy Investment Program and the Florida Venture Capital Program, respectively, throughout the remaining term of the agreement. Additional provisions of the agreement commit the Organization to deal by deal fund manager success fees equal to 30% to the extent dispositions and cumulative distributions exceed invested capital for any investment, as more fully described in Note 6.

The Organization's ability to pay fund manager fees is dependent on provisions in agreements with its funding sources, DACS-OOE and DEO, to allow such payments.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 13 – Functional Expenses

The Organization's activities include numerous functions, summarized as follows:

Enterprise Florida

Enterprise Florida Program Services:

International Trade and Development	\$ 7,164,137
Strategic Partnerships	3,602,130
Florida Defense Support Task Force	3,409,572
Business Development	2,209,898
Information and Communications	2,185,982
Minority Business Development	281,032
Enterprise Florida Supporting Services	6,457,072
Team Florida Marketing Program Services	5,557,758
Florida Sports Foundation Program Services	4,042,285
Florida Opportunity Fund Program Services	2,883,390
	<hr/>
	37,793,256
Florida Opportunity Fund Income Tax	116,560
Total Expenses, including Income Tax	<hr/> <u>\$ 37,909,816</u>

Note 14 – Concentrations

For the year ended June 30, 2016, the Organization received approximately 60% of its revenue from the State of Florida for the Organization's operations and various programs which the Organization administers.

Note 15 – Subsequent Events

Subsequent events have been evaluated through November 17, 2016, which is the date the consolidated financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION AND OTHER
REPORTS OF INDEPENDENT AUDITOR**

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2016

	Enterprise Florida	Florida Sports Foundation	Team Florida Partnership	Florida Opportunity Fund	Eliminations	Total
ASSETS						
Cash and cash equivalents						
Operating	\$ 5,569,036	\$ -	\$ -	\$ -	\$ -	\$ 5,569,036
Limited as to use	152,560,809	3,638,803	2,702,242	27,153,923	-	186,055,777
Due from State of Florida	3,999,136	786,616	2,500,000	-	-	7,285,752
Accounts and loans receivable, net	36,750	23,307	171,183	7,102,897	(242,201)	7,091,936
Loans receivable under the State Small Business Credit Initiative, net	22,495,971	-	-	-	-	22,495,971
Interest receivable and other assets	458,006	41,000	-	1,378,291	-	1,877,297
Leaseholds, furniture and equipment, net	580,578	19,677	-	-	-	600,255
Enterprise Florida investments under the Small Business Technology Growth Fund	900,000	-	-	-	-	900,000
Florida Opportunity Fund investments in venture capital partnerships	-	-	-	21,156,371	-	21,156,371
Florida Opportunity Fund direct investments:						
Clean Energy Investment Program	-	-	-	24,969,422	-	24,969,422
Florida Venture Capital Program	-	-	-	27,895,629	-	27,895,629
Total Assets	\$ 186,600,286	\$ 4,509,403	\$ 5,373,425	\$ 109,656,533	\$ (242,201)	\$ 305,897,446
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts and grants payable	\$ 230,897	\$ 2,777,020	\$ 85,214	\$ 990,764	\$ (242,201)	\$ 3,841,694
Accrued liabilities	1,036,102	-	-	-	-	1,036,102
Escrow payable	110,440,211	-	-	-	-	110,440,211
Accrued annual fund manager fees	-	-	-	6,697,433	-	6,697,433
Deferred revenue	6,589,250	-	-	-	-	6,589,250
Total Liabilities	118,296,460	2,777,020	85,214	7,688,197	(242,201)	128,604,690
Net Assets:						
Unrestricted	10,415,835	-	-	-	-	10,415,835
Temporarily restricted	57,887,991	1,732,383	5,288,211	101,968,336	-	166,876,921
Total Net Assets	68,303,826	1,732,383	5,288,211	101,968,336	-	177,292,756
Total Liabilities and Net Assets	\$ 186,600,286	\$ 4,509,403	\$ 5,373,425	\$ 109,656,533	\$ (242,201)	\$ 305,897,446

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted			Temporarily Restricted						
	All Entities	Eliminations	Total Unrestricted	Enterprise Florida	Florida Sports Foundation	Team Florida Partnership	Florida Opportunity Fund	Eliminations	Total Temporarily Restricted	Total
Revenues:										
State operating assistance	16,725,173	\$ -	\$ 16,725,173	11,923,810	\$ 4,686,686	\$ 10,000,000	\$ -	\$ (10,000,000)	\$ 16,610,496	\$ 33,335,669
State Small Business Credit Initiative	-	-	-	-	-	-	4,735,204	(4,735,204)	-	-
Private investment contributions	1,662,500	-	1,662,500	-	-	845,970	-	-	845,970	2,508,470
Event revenue	980,487	-	980,487	-	250,596	-	-	-	250,596	1,231,083
Federal grant assistance	-	-	-	72,708	-	-	-	-	72,708	72,708
In-kind contributions	243,340	-	243,340	-	-	-	-	-	-	243,340
Management and administration fees	802,662	(791,301)	11,361	-	-	-	-	-	-	11,361
Net appreciation in fair value of investments	-	-	-	-	-	-	17,420,336	-	17,420,336	17,420,336
Other income	139,469	-	139,469	(82,567)	429,469	-	611,612	-	958,514	1,097,983
Net assets released from restrictions	32,883,137	(14,735,204)	18,147,933	(19,491,842)	(4,683,586)	(5,557,759)	(3,149,950)	14,735,204	(18,147,933)	-
Total Revenues	53,436,768	(15,526,505)	37,910,263	(7,577,891)	683,165	5,288,211	19,617,202	-	18,010,687	55,920,950
Expenses:										
Marketing and promotion	9,832,831	-	9,832,831	-	-	-	-	-	-	9,832,831
Grants to sub-recipients	23,053,537	(14,735,204)	8,318,333	-	-	-	-	-	-	8,318,333
Payroll and related costs	9,320,763	(583,151)	8,737,612	-	-	-	-	-	-	8,737,612
Professional fees	6,062,635	(172,150)	5,890,485	-	-	-	-	-	-	5,890,485
General and administrative	4,871,221	(36,000)	4,835,221	-	-	-	-	-	-	4,835,221
Depreciation	178,774	-	178,774	-	-	-	-	-	-	178,774
Total Expenses	53,319,761	(15,526,505)	37,793,256	-	-	-	-	-	-	37,793,256
Change in Net Assets Before Income Tax Expense	117,007	-	117,007	(7,577,891)	683,165	5,288,211	19,617,202	-	18,010,687	18,127,694
Income tax expense	116,560	-	116,560	-	-	-	-	-	-	116,560
Change in Net Assets	447	-	447	(7,577,891)	683,165	5,288,211	19,617,202	-	18,010,687	18,011,134
Net Assets, Beginning of Year	10,415,388	-	10,415,388	65,465,882	1,049,218	-	82,351,134	-	148,866,234	159,281,622
Net Assets, End of Year	\$ 10,415,835	\$ -	\$ 10,415,835	\$ 57,887,991	\$ 1,732,383	\$ 5,288,211	\$ 101,968,336	\$ -	\$ 166,876,921	\$ 177,292,756

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
SCHEDULE OF ACTIVITIES BY CONSOLIDATED ENTITY

YEAR ENDED JUNE 30, 2016

	<u>Enterprise Florida</u>	<u>Florida Sports Foundation</u>	<u>Team Florida Partnership</u>	<u>Florida Opportunity Fund</u>	<u>Eliminations</u>	<u>Total</u>
Revenues:						
State operating assistance	\$ 28,648,983	\$ 4,686,686	\$ 10,000,000	\$ -	\$ (10,000,000)	\$ 33,335,669
State Small Business Credit Initiative	-	-	-	4,735,204	(4,735,204)	-
Private investment contributions	1,662,500	-	845,970	-	-	2,508,470
Event revenue	980,487	250,596	-	-	-	1,231,083
Federal grant assistance	72,708	-	-	-	-	72,708
In-kind contributions	243,340	-	-	-	-	243,340
Management and administration fees	802,662	-	-	-	(791,301)	11,361
Net appreciation in fair value of investments	-	-	-	17,420,336	-	17,420,336
Other income	56,902	429,469	-	611,612	-	1,097,983
Total Revenues	<u>32,467,582</u>	<u>5,366,751</u>	<u>10,845,970</u>	<u>22,767,152</u>	<u>(15,526,505)</u>	<u>55,920,950</u>
Expenses:						
Marketing and promotion, including Foundation program costs	2,814,605	1,673,888	5,344,338	-	-	9,832,831
Grants to sub-recipients	20,879,937	2,173,600	-	-	(14,735,204)	8,318,333
Payroll and related costs	8,737,612	583,151	-	-	(583,151)	8,737,612
Professional fees	3,063,755	22,150	6,145	2,970,585	(172,150)	5,890,485
General and administrative	4,376,407	224,733	207,276	62,805	(36,000)	4,835,221
Depreciation	172,710	6,064	0	-	-	178,774
Total Expenses	<u>40,045,026</u>	<u>4,683,586</u>	<u>5,557,759</u>	<u>3,033,390</u>	<u>(15,526,505)</u>	<u>37,793,256</u>
Change in Net Assets Before Income Tax Expense	(7,577,444)	683,165	5,288,211	19,733,762	-	18,127,694
Income tax expense	-	-	-	116,560	-	116,560
Change in Net Assets	(7,577,444)	683,165	5,288,211	19,617,202	-	18,011,134
Net Assets, Beginning of Year	75,881,270	1,049,218	-	82,351,134	-	159,281,622
Net Assets, End of Year	<u>\$ 68,303,826</u>	<u>\$ 1,732,383</u>	<u>\$ 5,288,211</u>	<u>\$ 101,968,336</u>	<u>\$ -</u>	<u>\$ 177,292,756</u>

**Report of Independent Auditor 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 of the Board of Directors
Enterprise Florida, Inc.
Orlando, Florida:

We have audited, 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, the consolidated financial statements of Enterprise Florida, Inc. and consolidated entities (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, that we would consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of 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 consolidated 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Behrman CPA". The signature is written in a cursive style.

Orlando, Florida
November 17, 2016

**Report of Independent Auditor on Compliance for the Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650,
Rules of the Florida Auditor General**

To the Members of the Board of Directors
Enterprise Florida, Inc.
Orlando, Florida:

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited Enterprise Florida, Inc. and consolidated entities' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended June 30, 2016. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Florida Auditor General*. Those standards, the Uniform Guidance and Chapter 10.650 *Rules of the Florida Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal awards programs and state financial assistance projects for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Orlando, Florida
November 17, 2016

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2016

<u>Agency and Purpose</u>	<u>Originating Grant Period</u>	<u>CFDA Number</u>	<u>CSFA Number</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>	<u>Pass-Through to Subrecipients</u>
Federal Agency Name:						
Small Business Administration						
State Trade and Export Promotion Pilot Grant Program	10/01/15-9/30/16	59.061	-	SBAHQ-11-IT-0029	68,958	59,110
					<u>\$ 68,958</u>	<u>\$ 59,110</u>
U.S. Department of Energy						
<i>Passed through the State of Florida, Executive Office of the Governor, Department of Agriculture and Consumer Services, Department of Energy</i>						
State Energy Program	7/1/12-6/30/13	81.041	-	DE-EE0000241/ARS003	36,089,000	-
Total expenditures of federal awards					<u>\$ 36,157,958</u>	<u>\$ 59,110</u>
State Agency Name:						
Direct projects:						
State of Florida, Department of Economic Opportunity						
Enterprise Florida, Inc. - Operating Support	7/01/15-6/30/16	-	40.040	SB16-001	8,400,000	-
Enterprise Florida, Inc. - International Programs	7/01/15-6/30/16	-	40.040	SB16-001	3,550,000	-
Enterprise Florida, Inc. - Florida Export & Diversification Program	7/01/15-6/30/16	-	40.040	SB16-001	1,000,000	-
Enterprise Florida, Inc. - Foreign Offices	7/01/15-6/30/16	-	40.040	SB16-001	2,050,000	-
					<u>15,000,000</u>	<u>-</u>
Team Florida Marketing, LLC.	7/01/15-6/30/16	-	40.040	SB16-001	10,000,000	-
Florida Sports Foundation - Seniors/Sunshine State Games	7/01/15-6/30/16	-	40.040	S0018	900,000	-
Florida Sports Foundation - Major/Regional Grants	7/01/15-6/30/16	-	40.040	S0018	1,000,000	1,000,000
Florida Sports Foundation - Professional Sports Teams License Plate Project	7/01/15-6/30/16	-	40.040	S0018	2,700,783	1,708,600
Florida Sports Foundation - U.S. Olympic License Plates	7/01/15-6/30/16	-	40.040	S0018	45,783	-
Florida Sports Foundation - Nascar License Plates	7/01/15-6/30/16	-	40.040	S0018	35,875	13,453
Florida Sports Foundation - Florida Tennis License Plates	7/01/15-6/30/16	-	40.040	S0018	4,245	-
					<u>4,686,686</u>	<u>2,722,053</u>
Florida Defense Support Task Force	7/1/15-6/30/16	-	40.040	SB16-005	227,135	-
Florida Defense Support Task Force	7/1/15-6/30/16	-	40.040	SB16-005	433,950	-
					<u>661,085</u>	<u>-</u>
Total CSFA 40.040					<u>30,347,771</u>	<u>2,722,053</u>
Defense Infrastructure Grants	7/1/13-6/30/14	-	40.003	SB-14-005	192,539	192,539
Defense Infrastructure Grants	7/1/12-6/30/13	-	40.003	SB-12-005	564,707	564,707
Defense Infrastructure Grants	7/1/11-6/30/12	-	31.003	SB-12-005	526,609	526,609
Defense Infrastructure Grants	7/1/10-6/30/11	-	31.003	OT-11-005	500,000	500,000
Defense Infrastructure Grants	7/1/09-6/30/10	-	31.003	OT-09-005	19,980	19,980
Total CSFA 31.003/40.003					<u>1,803,834</u>	<u>1,803,834</u>
Defense Reinvestment Grants	7/1/14-6/30/15	-	40.014	SB-14-005	530,209	530,209
Defense Infrastructure Grants	7/1/14-6/30/15	-	40.014	SB-14-005	213,209	213,209
Defense Reinvestment Grants	7/1/13-6/30/14	-	40.014	SB-14-005	175,521	175,521
					<u>918,939</u>	<u>918,939</u>
Florida Defense Support Task Force	7/1/14-6/30/15	-	40.014	SB-15-005	1,091,070	1,091,070
Florida Defense Support Task Force	7/1/13-6/30/14	-	40.014	SB-14-005	822,427	822,427
Florida Defense Support Task Force	7/1/12-6/30/13	-	40.014	SB-13-005	11,007	11,007
Florida Defense Support Task Force	7/1/11-6/30/12	-	31.044	SB-12-005	823,982	823,982
					<u>2,748,486</u>	<u>2,748,486</u>
Military Base Protection	7/1/06-6/30/07	-	31.044	OT-07-001	3,573	-
Total CSFA 31.044/40.014					<u>3,670,998</u>	<u>3,667,425</u>
Advocating International Relationships	7/1/13-6/30/14	-	40.016	SB-14-005	59,664	59,664
Total expenditures of state financial assistance					<u>\$ 35,882,267</u>	<u>\$ 8,252,976</u>

See notes to schedule of expenditures of federal awards and state financial assistance

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2016

Note 1 – Presentation

This Schedule of Expenditures of Federal Awards and State Financial Assistance is presented on the accrual basis of accounting and includes federal and state expenditures of Enterprise Florida, Inc. and consolidating entities. The information in this Schedule is presented in accordance of the Uniform Guidance, and, therefore, certain amounts in this Schedule may differ from amounts presented in the consolidated financial statements. Primarily the amounts differ due to the State Energy Program including cumulative grant proceeds since inception.

Note 2 – Match Requirement

Enterprise Florida, Inc. receives funding for operations from the Department of Economic Opportunity ("DEO"), which is subject to Florida Statute Section 288.904(2) match requirements. The match requirements are designed to require Enterprise Florida, Inc. to secure statutory basis match of at least 100 percent of the State's operating investment in Enterprise Florida, Inc., which was \$29,913,821 for year ended June 30, 2016.

	Statutory Basis (1)
	<u> </u>
Direct cash (2)	\$ 2,480,000
Cash donations from assisted organizations (3)	1,086,477
Jointly raised cash (4)	-
Fees charged for products or services (5)	1,723,009
Copayments, stock, warrants, royalties or other private resources (6)	33,464,607
Quick-Response Training Program in-kind contributions (7)	<u>13,916,310</u>
Total matching funds	52,670,403
Total match required (8)	<u>29,913,821</u>
Excess	<u><u>\$ 22,756,582</u></u>

1. Florida Statutory basis amounts are reported as defined in Section 288.904(2), Florida Statutes. In-kind contributions under this basis of accounting include amounts that do not meet the GAAP basis requirements for revenue recognition.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2016

2. Defined in Section 288.904(2)(b)(1) as cash given directly to Enterprise Florida, Inc., for its operations, including contributions from at-large members of the board of directors.
3. Defined in Section 288.904(2)(b)(2) as cash donations from organizations assisted by the divisions.
4. Defined in Section 288.904(2)(b)(3) as cash jointly raised by Enterprise Florida, Inc., and a private local economic development organization, a group of such organizations, or a statewide private business organization that supports collaborative projects.
5. Defined in Section 288.904(2)(b)(4) as cash generated by fees charged for products or services of Enterprise Florida, Inc., and its divisions by sponsorship of events, missions, programs, and publications.
6. Defined in Section 288.904(2)(b)(5) as copayments, stock, warrants, royalties, or other private resources dedicated to Enterprise Florida, Inc., or its divisions. The amount provided is derived exclusively from Visit Florida. Visit Florida is a direct support organization dedicated solely to the Enterprise Florida, Inc. division of Tourism Marketing so private resources of Visit Florida that are not required for Visit Florida's match are available for Enterprise Florida, Inc.'s match requirements. Visit Florida's financial information is not presented as part of GAAP basis financial reporting for Enterprise Florida, Inc.
7. Defined in Section 288.047(9) as eligible in-kind contributions received under the Quick-Response Training Program, administered by CareerSource Florida, which may be counted toward the matching requirements of Section 288.904(2). Contributions presented consist of reimbursed wages from contracts entered into during fiscal 2016 to employers with trainees in the Quick-Response Training Program.
8. The total match required consists of \$15,000,000 of Enterprise Florida, Inc. operating support, \$10,000,000 of Team Florida Marketing Partnership, LLC operating support, \$4,686,686 of Florida Sports Foundation and \$227,135 of Florida Defense Support Task Force administration.

Note 3 – Indirect Cost Rate

The Organization did not elect to utilize the 10% de minimis indirect cost rate.

Note 4 – Loan Program Outstanding Balance

The Organization has loans outstanding from the U.S. Department of Energy totaling \$36,089,000 as of June 30, 2016.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS

YEAR ENDED JUNE 30, 2016

Part I Summary of Auditor Results

Financial Statement Section

Type of auditor report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? x yes none reported

Non-compliance material to financial statements noted? yes x no

Federal Awards and State Projects Section

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Type of auditor report on compliance for major federal programs and state projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) x yes no

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, Rules of the Florida Auditor General yes x no

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS

YEAR ENDED JUNE 30, 2016

Part I – Summary of Auditor Results (continued)

Federal Awards and State Projects Section (continued)

Identification of major federal programs and state projects:

Federal Programs:

Name of Program or Cluster	CFDA Number
U.S. Department of Energy	
ARRA - State Energy Program	84.041

State Projects:

Name of Project	CSFA Number
Florida Department of Economic Opportunity	
Enterprise Florida, Inc.	40.040

Dollar threshold used to determine Type A programs:

Federal	\$ 750,000
State	\$ 1,076,468

Auditee qualified as low-risk auditee for federal purposes? x yes no

Part II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the consolidated financial statements that are required to be reported in accordance with Government Auditing Standards.

Finding 2016-001

Significant Deficiency

Understanding and Accounting for Complex Transactions, Review, and Financial Closing

Criteria: An effective system of internal control contemplates a personal structure to achieve designated tasks, appropriate segregation of duties and oversight, and a well-defined process for identifying routine and non-routine events and transactions. The Finance Department should possess a sufficient understanding of the details and complexities over compliance and accounting requirements to allow for proper financial reporting.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS

YEAR ENDED JUNE 30, 2016

Condition: During the course of our audit, we noted that significant personnel turnover at the Organization caused there to be insufficient experience and understanding relating to the reporting for the Organization and for specific programs. For part of the fiscal year, personnel turnover and insufficient oversight resulted in certain journal entries posted without evidence of review and difficulties and delays were experienced in the year-end close-out process for the Organization's books and records. The Organization has since taken appropriate action to reestablish its personnel structure and to gain necessary knowledge of complex areas of accounting.

Effect: Considerable research and time were required to gain familiarity and to accurately record transactions. An additional risk resulted from the more limited review and oversight structure in existence throughout much of the year.

Cause: The departure of the Vice President of Finance and Accounting on June 30, 2015 and subsequent departures of Finance Department personnel at end of the fiscal 2016 at times left the Finance Department with insufficient personnel structure, knowledge of accounting requirements and oversight.

Recommendation: The Organization has been able to reestablish the Finance Department with appropriate personnel in order to close out the fiscal 2016 books and records and to address other immediate needs. Revisions of policies and procedures are inherent in this process, for which we recommend careful review and written documentation.

Management's Views: The response from management is presented on the Summary Schedule of Prior Findings and Corrective Action Plan.

Part III – Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by 2 CFR section 200.516(a).

U.S. Department of Energy – 81.041 – State Energy Program

Statement of Condition 2016-002: Required quarterly reports were not filed timely with the Florida Department of Agriculture and Consumer Services, Office of Energy ("DACS-OOE"). This finding was noted in the 2015 report and was documented as Condition 2015-001.

Criteria: Under the Florida Energy and Climate Commission Grant Agreement ("Agreement"), each quarter has certain deliverables required to be filed by the Organization. Under the Long Term Program Deliverables section of Attachment A-2 of the Agreement, the Organization is required to file quarterly reports within 3 days of quarter end and annual reports within 30 days of the Agreement's year end. These deadlines were established in section 6 and 7 of the Agreement.

Effect of Condition: Quarterly reports not filed timely could result in actions taken by DACS-OOE as described in section 11 of the Agreement.

Cause of Condition: The Organization was unable to file timely due to the complex nature of the reporting and the stringent deadlines in place for submission. All reports were filed; however, all were late according to the reporting requirements.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS

YEAR ENDED JUNE 30, 2016

Recommendation: DAS-OOE acknowledged that a contract revision is being considered to provide additional time for the Organization to submit the required reports. The Organization should continue to work with DACS-OOE to ensure the contract is amended to allow for more reasonable submission deadlines.

Management's Views: The response from management is presented on the Summary Schedule of Prior Findings and Corrective Action Plan.

Part IV – State Project Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major state projects, as required to be reported by Chapter 10.650, Rules of the Florida Auditor General.

There are no items related to state financial assistance required to be reported. Accordingly, a management letter is not required.

ENTERPRISE FLORIDA, INC. AND CONSOLIDATED ENTITIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2016

Summary of Prior Year Findings

Condition 2015-001: Required quarterly reports were not filed timely with the Florida Department of Agriculture and Consumer Services, Office of Energy ("DACS-OOE").

Status: Management recognized that quarterly and annual reports were required and filed the reports. However, each of the reports was filed after the required deadlines. This finding was restated in 2016 as Condition 2016-002.

Corrective Action Plan

Statement of Condition 2016-001: During the course of our audit, we noted that significant personnel turnover at the Organization caused there to be insufficient experience and understanding relating to the reporting for the Organization and for specific programs. For part of the fiscal year, personnel turnover and insufficient oversight resulted in certain journal entries posted without evidence of review and difficulties and delays were experienced in the year-end close-out process for the Organization's books and records. The Organization has since taken appropriate action to reestablish its personnel structure and to gain necessary knowledge of complex areas of accounting.

Recommendation: The Organization has been able to reestablish the Finance Department with appropriate personnel in order to close out the fiscal 2016 books and records and to address other immediate needs. Revisions of policies and procedures are inherent in this process, for which we recommend careful review and written documentation.

Management's Response: The Organization has now been at full staff for over 60 days, and cross training and succession planning have been initiated by current leadership. Updated internal control procedures in association with personnel changes, together with documentation of such changes, is in process.

Statement of Condition 2016-002: Although timeliness was enhanced considerably as compared to prior year submissions, required quarterly reports were not filed timely with the Florida Department of Agriculture and Consumer Services, Office of Energy ("DACS-OOE").

Recommendation: DAS-OOE acknowledged that a contract revision is being considered to provide additional time for the Organization to submit the required reports. The Organization should continue to work with DACS-OOE to ensure the contract is amended to allow for more reasonable submission deadlines.

Management's Response: Management will continue to work with DACS-OOE to amend the contract to reflect quarterly and annual submission deadlines no later than 45 calendar days following the quarterly reporting period. This will enable management to file within the reporting deadlines.