

**ECONOMIC DEVELOPMENT AUTHORITY OF  
THE CITY OF RICHMOND, VIRGINIA**  
(A Component Unit of the City of Richmond, Virginia)

**FINANCIAL REPORT**

**June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors of the  
Economic Development Authority of the City of Richmond, Virginia  
(A Component Unit of the City of Richmond, Virginia)  
Richmond, Virginia

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Economic Development Authority of the City of Richmond, Virginia (the Authority), a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Economic Development Authority of the City of Richmond, Virginia, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Economic Development Authority of the City of Richmond, Virginia, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Report on the Audit of the Financial Statements (Continued)**

### ***Responsibilities of Management for the Financial Statements (Continued)***

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Report on the Audit of the Financial Statements (Continued)**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
September 21, 2023

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

Management's Discussion and Analysis of the financial performance of the Economic Development Authority of the City of Richmond, Virginia (Authority) provides an overview of the financial activities for the year ended June 30, 2023. It should be read in conjunction with the financial statements.

Overview of the Financial Statements

The Authority receives operating funds from the rental of a parking garage, manages the operations of the training facility on Leigh Street, and leases certain property under a capital lease arrangement for the operation and future expansion of a brewery. It also manages loan portfolios of the City of Richmond, Virginia.

Government-Wide Statement of Net Position

Following is a condensed statement of net position showing the net position of the Authority at June 30:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2022</u>
Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 10,632,851	\$ 10,676,682	\$ 10,632,851	\$ 10,676,682
Capital assets, net	142,165	142,165	12,422,400	12,676,875	12,564,565	12,819,040
Property held for sale	-	-	13,173,607	-	13,173,607	-
Other assets	-	-	30,061,985	31,056,799	30,061,985	31,056,799
Total assets	<u>\$ 142,165</u>	<u>\$ 142,165</u>	<u>\$ 66,290,843</u>	<u>\$ 54,410,356</u>	<u>\$ 66,433,008</u>	<u>\$ 54,552,521</u>
Liabilities:						
Current and other liabilities	\$ -	\$ -	\$ 1,038,620	\$ 1,058,697	\$ 1,038,620	\$ 1,058,697
Lease payable	-	-	1,469,283	1,469,283	1,469,283	1,469,283
Recoverable grant payable	-	-	23,635,000	24,885,000	23,635,000	24,885,000
Total liabilities	-	-	26,142,903	27,412,980	26,142,903	27,412,980
Deferred inflows of resources	-	-	54,295	380,065	54,295	380,065
Net position	<u>142,165</u>	<u>142,165</u>	<u>40,093,645</u>	<u>26,617,311</u>	<u>40,235,810</u>	<u>26,759,476</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 142,165</u>	<u>\$ 142,165</u>	<u>\$ 66,290,843</u>	<u>\$ 54,410,356</u>	<u>\$ 66,433,008</u>	<u>\$ 54,552,521</u>

There was a decrease in cash and cash equivalents of \$43,831 primarily due to the return of grant funds to the State and payment of more economic incentive grants in the current year than in the prior year.

There was a decrease in net capital assets of \$254,475, primarily due to depreciation/amortization expense and write-off of expenses that were previously capitalized as construction in progress.

There was an increase in property held for sale due to the transfer of the Richmond Coliseum and surrounding properties from the City of Richmond and Redevelopment Housing Authority to the Authority in the current year as part of a redevelopment project.

There was a decrease in other assets of \$994,814, which is primarily due to the receipt of payments on lease and financed purchase notes receivables of \$955,904, current year increase in the allowance for doubtful accounts of approximately \$219,000, and a decrease in escrow funds for the training center of \$135,145. There was an overall decrease in loans receivable due to receipt of payments of approximately \$21,000. There was an overall decrease in other assets of \$37,639 due to receipt of payments on receivable balances for the Stone Brewery Fund. These are being offset by an increase in accrued interest receivable of \$374,176 in the current year over the prior year.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

Government-Wide Statement of Net Position (Continued)

There was a decrease in current liabilities and other liabilities of \$20,007, primarily due to the timing of payment of accounts payable.

There was a decrease in the recoverable grant payable of \$1,250,000, due to the payments made on the recoverable grants payable to the City of Richmond related to the Stone Brewery and Leigh Street projects.

Government-Wide Statement of Activities

Condensed statements of activities for fiscal years ended June 30 are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2022</u>
Revenues:						
Grant from the City of Richmond	\$ -	\$ -	\$ 1,085,881	\$ 246,929	\$ 1,085,881	\$ 246,929
Rental income	-	-	779,146	790,384	779,146	790,384
Loan administration fees	-	-	36,250	36,290	36,250	36,290
Bond and other fees	-	-	8,449	49,332	8,449	49,332
Loan program income	-	-	440,544	453,079	440,544	453,079
Interest on notes receivable	-	-	1,285,082	1,208,851	1,285,082	1,208,851
Other	-	-	14,012,041	793,101	14,012,041	793,101
Total revenues	-	-	17,647,393	3,577,966	17,647,393	3,577,966
Expenses:						
Economic development incentives	-	-	817,756	56,929	817,756	56,929
Federal CARES grants	-	-	-	190,000	-	190,000
Grant repaid to the State	-	-	818,125	101	818,125	101
Other grants and rebates	-	-	286,385	280,208	286,385	280,208
Building operations and maintenance	-	-	332,614	323,353	332,614	323,353
Depreciation	-	17,084	350,127	321,300	350,127	338,384
Interest	-	-	752,867	773,839	752,867	773,839
Other	-	-	813,185	567,284	813,185	567,284
Total expenses	-	17,084	4,171,059	2,513,014	4,171,059	2,530,098
Change in net position	\$ -	\$ (17,084)	\$ 13,476,334	\$ 1,064,952	\$ 13,476,334	\$ 1,047,868

Grant revenue from the City and other grants was less than grant expenses due to a timing difference between receipt of the grant revenue from the City in the prior year and disbursement to the qualifying businesses in the current year, combined with pending reimbursement requests outstanding from the City at year-end. Grant activity from the City of Richmond was significantly higher, by \$838,952 in FY2023 as compared to FY2022 due to the influx of local funding from the City distributed to local businesses and organizations by the Authority in the prior year. There was also a grant repaid to the State of \$818,125 in 2023. This was due to a local business that did not meet the requirements per the performance agreement. As a result, the Authority was responsible for returning funding back to the state agency from which the funding had ultimately been received.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

Government-Wide Statement of Activities (Continued)

There was an increase in other revenue of \$13,218,940 primarily due to the Coliseum and surrounding properties being contributed from the City and the Richmond Redevelopment Housing Authority to the Authority in the current year as part of a redevelopment project.

The Authority has maintained its lending programs, which are operated in coordination with the City of Richmond’s Department of Economic Development. Operational costs of the programs are covered by the City. Any losses sustained in the lending programs are absorbed by the City or the relevant funding partner. The Authority receives fees adequate to cover its costs as well as audit fees associated with these activities. In summary, the outlook for the lending programs is favorable. The Authority can reasonably expect that its costs will continue to be covered.

Accomplishments and Economic Outlook

During the year ended June 30, 2023, the Authority supported the work of the City’s Department of Economic Development to attract over \$2.55 billion in announced capital investment and 514 announced new jobs to the City. The Authority’s administration of both local and state discretionary performance incentives assists in making these accomplishments possible. Several of which include:

- The Diamond District project that will redevelop 67 acres of publicly owned land into a new mixed-use, mixed-income neighborhood anchored by a new minor league baseball stadium;
- The Richmond Riverfront Performing Arts Venue that will be 7,500-person capacity amphitheater on the Downtown riverfront; and
- Virginia Public Media’s (VPM) new headquarters in Downtown that will create 100 new jobs in the City.

The Authority and the Greater Richmond Convention Center Authority jointly issued a Request for Interest (RFI) and subsequent Request for Offers (RFO) to redevelop 9.4 acres of publicly owned property in a manner that aligns with the objectives of Richmond’s City Center Small Area Plan. The primary objectives of the initial phase of the redevelopment project are to construct a 500-room headquarters hotel to support the tourism activities of the Greater Richmond Convention Center; increase Downtown residential density; revive the historic Blues Armory; develop commercial space to both attract retail and expand the life sciences industry; and construct infrastructure to reconnect the street grid and add greenspace. The selection of a development team to lead the project is anticipated in FY24.

Requests for information

This financial report is intended to provide a general overview of the Authority’s finances. Any questions regarding this report or requests for additional financial information should be addressed to the Authority at 1500 East Main Street, Suite 400, Richmond, Virginia 23219.



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**STATEMENT OF NET POSITION**  
**June 30, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 4)	\$ -	\$ 10,632,851	\$ 10,632,851
Due from the City (Note 13)	-	119,692	119,692
Other current assets	-	21,848	21,848
Financed purchase notes receivable, current portion (Note 5)	-	560,594	560,594
Lease receivable, current portion (Note 6)	-	56,959	56,959
Total current assets	-	11,391,944	11,391,944
<b>NONCURRENT ASSETS</b>			
Nondepreciable capital assets (Note 7)	142,165	1,490,463	1,632,628
Depreciable capital assets, net (Note 7)	-	10,931,937	10,931,937
Property held for sale (Note 8)	-	13,173,607	13,173,607
Financed purchase notes receivable, less current portion (Note 5)	-	18,786,457	18,786,457
Loans receivable, net (Note 11)	-	8,985,738	8,985,738
Accrued interest receivable	-	1,530,697	1,530,697
Total noncurrent assets	142,165	54,898,899	55,041,064
Total assets	<u>\$ 142,165</u>	<u>\$ 66,290,843</u>	<u>\$ 66,433,008</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ -	\$ 6,167	\$ 6,167
Due to the City (Note 13)	-	50,813	50,813
Accrued interest payable	-	89,103	89,103
Deposits and reserves	-	140,013	140,013
Current portion of recoverable grant payable (Note 15)	-	750,000	750,000
Total current liabilities	-	1,036,096	1,036,096
<b>NONCURRENT LIABILITIES</b>			
Lease liability (Note 9)	-	1,469,283	1,469,283
Recoverable grants payable (Note 15)	-	23,635,000	23,635,000
Other noncurrent liabilities	-	2,524	2,524
Total noncurrent liabilities	-	25,106,807	25,106,807
Total liabilities	-	26,142,903	26,142,903
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases (Note 6)	-	54,295	54,295
<b>NET POSITION</b>			
Net investment in capital assets	142,165	4,953,117	5,095,282
Restricted	-	7,192,477	7,192,477
Unrestricted	-	27,948,051	27,948,051
Total net position	142,165	40,093,645	40,235,810
Total liabilities, deferred inflows of resources and net position	<u>\$ 142,165</u>	<u>\$ 66,290,843</u>	<u>\$ 66,433,008</u>

The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Rental and lease income	\$ -	\$ 779,146	\$ 779,146
Loan administration and other fees	-	36,250	36,250
Bond and other fees	-	8,449	8,449
Loan program income	-	440,544	440,544
Other	-	175,418	175,418
	<hr/>	<hr/>	<hr/>
Total operating revenues	-	1,439,807	1,439,807
<b>OPERATING EXPENSES</b>			
Personnel	-	194,971	194,971
Professional services	-	67,635	67,635
Internet and telephone services	-	4,754	4,754
Building operations and maintenance	-	332,614	332,614
Bad debt expense	-	219,027	219,027
Other	-	256,388	256,388
Loan administrative fees	-	35,999	35,999
Depreciation	-	350,127	350,127
	<hr/>	<hr/>	<hr/>
Total operating expenses	-	1,461,515	1,461,515
Operating loss	-	(21,708)	(21,708)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grants from the City of Richmond (Note 13)	-	1,085,881	1,085,881
Economic development incentives (Note 13)	-	(817,756)	(817,756)
Grant repaid to the State	-	(818,125)	(818,125)
Other grants and rebates (Note 11)	-	(286,385)	(286,385)
Contributed capital (Note 8)	-	13,173,607	13,173,607
Contribution from the City (Note 13)	-	600,000	600,000
Interest on notes receivable	-	1,285,082	1,285,082
Interest expense	-	(752,867)	(752,867)
Interest income	-	63,016	63,016
Loss on disposal of capital assets	-	(34,411)	(34,411)
	<hr/>	<hr/>	<hr/>
Total non-operating revenues	-	13,498,042	13,498,042
Change in net position	-	13,476,334	13,476,334
<b>NET POSITION</b>			
Beginning of year	<hr/> 142,165	<hr/> 26,617,311	<hr/> 26,759,476
End of year	<hr/> <u>\$ 142,165</u>	<hr/> <u>\$ 40,093,645</u>	<hr/> <u>\$ 40,235,810</u>

The Notes to Financial Statements are an integral part of this statement.

## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2023**

	<u><b>Theater Fund</b></u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ -
 <b>FUND BALANCE</b>	
Unassigned	\$ -
 <b>RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION</b>	
Total fund balance per Governmental Fund Balance Sheet	\$ -
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund:	
Capital assets, cost	14,512,067
Accumulated depreciation	<u>(14,369,902)</u>
	<u>142,165</u>
Net position of governmental activities	<u><u>\$ 142,165</u></u>

The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUND**  
**Year Ended June 30, 2023**

	<u><b>Theater Fund</b></u>
OPERATING REVENUES	
Naming rights fees	\$ -
OPERATING EXPENDITURES	
Restoration grant	-
Change in fund balance	-
FUND BALANCE	
Beginning of year	-
End of year	\$ -

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO**  
**STATEMENT OF ACTIVITIES**

Change in fund balance, total governmental fund	\$ -
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. Details supporting this adjustment are as follows:

Depreciation expense	-
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Change in net position of governmental activities	\$ -
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The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
(A Component Unit of the City of Richmond, Virginia)

**STATEMENT OF NET POSITION - ENTERPRISE FUNDS**  
**June 30, 2023**

	<b>Major Funds</b>				
	<b>Operating Fund</b>	<b>Leigh St. Fund</b>	<b>Stone Brewery Fund</b>	<b>Loan Fund</b>	<b>Total</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents (Note 4)	\$ 2,422,114	\$ 204,390	\$ 2,547,219	\$ 5,459,128	\$ 10,632,851
Due from the City (Note 13)	119,692	-	-	-	119,692
Financed purchase notes receivable, current portion (Note 5)	9,159	-	551,435	-	560,594
Lease receivable, current portion (Note 6)	-	56,959	-	-	56,959
Other current assets	800	154	20,894	-	21,848
Total current assets	<u>2,551,765</u>	<u>261,503</u>	<u>3,119,548</u>	<u>5,459,128</u>	<u>11,391,944</u>
<b>NONCURRENT ASSETS</b>					
Nondepreciable capital assets (Note 7)	-	868,818	621,645	-	1,490,463
Depreciable capital assets, net (Note 7)	129,429	10,721,148	81,360	-	10,931,937
Property held for sale (Note 8)	13,173,607	-	-	-	13,173,607
Financed purchase notes receivable, less current portion (Note 5)	380,100	-	18,406,357	-	18,786,457
Loans receivable, net (Note 11):					
Community Area Revitalization Effort (CARE) Program	-	-	-	14,151	14,151
Contractor Assistance Program (CAP)	-	-	-	137,319	137,319
Economic Development and Housing Loan Fund (EDHLF) Program	-	-	-	8,031,139	8,031,139
Revolving Loan Program (RLP)	-	-	-	803,129	803,129
Accrued interest receivable	-	-	-	1,530,697	1,530,697
Total noncurrent assets	<u>13,683,136</u>	<u>11,589,966</u>	<u>19,109,362</u>	<u>10,516,435</u>	<u>54,898,899</u>
Total assets	<u>\$ 16,234,901</u>	<u>\$ 11,851,469</u>	<u>\$ 22,228,910</u>	<u>\$ 15,975,563</u>	<u>\$ 66,290,843</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 5,799	\$ 368	\$ -	\$ -	\$ 6,167
Due to the City (Note 13)	-	-	-	50,813	50,813
Accrued interest payable	-	32,077	57,026	-	89,103
Reserves and deposits	-	140,013	-	-	140,013
Current portion of recoverable grants ) payable (Note 15)	-	-	750,000	-	750,000
Total current liabilities	<u>5,799</u>	<u>172,458</u>	<u>807,026</u>	<u>50,813</u>	<u>1,036,096</u>
<b>NONCURRENT LIABILITIES</b>					
Lease liability (Note 9)	-	1,469,283	-	-	1,469,283
Recoverable grants payable, long term (Note 15)	-	6,000,000	17,635,000	-	23,635,000
Other noncurrent liabilities	-	2,524	-	-	2,524
Total noncurrent liabilities	<u>-</u>	<u>7,471,807</u>	<u>17,635,000</u>	<u>-</u>	<u>25,106,807</u>
Total liabilities	<u>5,799</u>	<u>7,644,265</u>	<u>18,442,026</u>	<u>50,813</u>	<u>26,142,903</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Leases (Note 6)	-	54,295	-	-	54,295
<b>NET POSITION</b>					
Net investment in capital assets	129,429	4,120,683	703,005	-	4,953,117
Restricted	1,785,511	-	-	5,406,966	7,192,477
Unrestricted	14,314,162	32,226	3,083,879	10,517,784	27,948,051
Total net position	<u>16,229,102</u>	<u>4,152,909</u>	<u>3,786,884</u>	<u>15,924,750</u>	<u>40,093,645</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,234,901</u>	<u>\$ 11,851,469</u>	<u>\$ 22,228,910</u>	<u>\$ 15,975,563</u>	<u>\$ 66,290,843</u>

The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**ENTERPRISE FUNDS**  
**Year Ended June 30, 2023**

	<b>Major Funds</b>				
	<b>Operating Fund</b>	<b>Leigh St. Fund</b>	<b>Stone Brewery Fund</b>	<b>Loan Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>					
Rental and lease income	\$ -	\$ 779,146	\$ -	\$ -	\$ 779,146
Loan administration and other fees	36,000	-	-	250	36,250
Bond and other fees	8,449	-	-	-	8,449
Loan program income	-	-	-	440,544	440,544
Event and other income	10,000	165,418	-	-	175,418
Total operating revenues	54,449	944,564	-	440,794	1,439,807
<b>OPERATING EXPENSES</b>					
Personnel	889	194,082	-	-	194,971
Professional services	47,468	20,167	-	-	67,635
Internet and telephone services	-	4,754	-	-	4,754
Building operations and maintenance	-	332,614	-	-	332,614
Bad debt expense	-	-	-	219,027	219,027
Other	141,124	106,188	5,676	3,400	256,388
Loan administrative fees	-	-	-	35,999	35,999
Depreciation and amortization	634	347,402	2,091	-	350,127
Total operating expenses	190,115	1,005,207	7,767	258,426	1,461,515
Operating (loss) income	(135,666)	(60,643)	(7,767)	182,368	(21,708)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Grants from the City of Richmond (Note 13)	1,085,881	-	-	-	1,085,881
Economic development incentives (Note 13)	(817,756)	-	-	-	(817,756)
Grant repaid to the State	(818,125)	-	-	-	(818,125)
Other grants and rebates (Note 11)	-	-	-	(286,385)	(286,385)
Contributed capital (Note 8)	13,173,607	-	-	-	13,173,607
Contribution from the City (Note 13)	-	-	-	600,000	600,000
Interest on notes receivable	13,134	-	1,271,948	-	1,285,082
Interest expense	-	(48,599)	(704,268)	-	(752,867)
Interest income	10,772	6,899	15,125	30,220	63,016
Loss on disposal of capital assets	-	-	(34,411)	-	(34,411)
Total nonoperating revenues (losses)	12,647,513	(41,700)	548,394	343,835	13,498,042
Income before transfers	12,511,847	(102,343)	540,627	526,203	13,476,334
Transfers (out) in (Note 13)	(100,000)	100,000	-	-	-
Change in net position	12,411,847	(2,343)	540,627	526,203	13,476,334
<b>NET POSITION</b>					
Beginning of year	3,817,255	4,155,252	3,246,257	15,398,547	26,617,311
End of year	\$ 16,229,102	\$ 4,152,909	\$ 3,786,884	\$ 15,924,750	\$ 40,093,645

The Notes to Financial Statements are an integral part of this statement.



**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**  
**Year Ended June 30, 2023**

	<b>Major Funds</b>				
	<b>Operating Fund</b>	<b>Leigh St. Fund</b>	<b>Stone Brewery Fund</b>	<b>Loan Fund</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>					
Receipts from rentals	\$ -	\$ 779,146	\$ -	\$ -	\$ 779,146
Receipts from loan administration	36,000	-	-	250	36,250
Issuances of loans	-	-	-	(10,000)	(10,000)
Receipts from loan repayments	-	-	-	31,275	31,275
Receipts from other activities	18,591	165,418	29,355	66,368	279,732
Payments for operating activities	(180,213)	(658,213)	(89,171)	(20,825)	(948,422)
Net cash (used in) provided by operating activities	(125,622)	286,351	(59,816)	67,068	167,981
<b>NONCAPITAL FINANCING ACTIVITIES</b>					
Grants and receipts from City of Richmond	1,085,881	-	-	600,000	1,685,881
Economic development incentive payments	(817,756)	-	-	-	(817,756)
Other grants and rebates	-	-	-	(286,385)	(286,385)
Grant repayments to the State	(818,125)	-	-	-	(818,125)
Receipt of escrows and reserves	-	152,142	-	-	152,142
Transfers (to) from other funds	(100,000)	100,000	-	-	-
Net cash (used in) provided by noncapital financing activities	(650,000)	252,142	-	313,615	(84,243)
<b>INVESTING ACTIVITIES</b>					
Interest received	10,772	6,899	15,125	30,220	63,016
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(130,063)	-	-	-	(130,063)
Cash paid on interest	-	-	(706,082)	-	(706,082)
Cash paid on leased asset	-	(40,560)	-	-	(40,560)
Payments received on notes receivable	22,000	-	1,885,287	-	1,907,287
Payments received on lease	-	8,833	-	-	8,833
Payments of recoverable grant payable	-	(500,000)	(730,000)	-	(1,230,000)
Net cash (used in) provided by capital and related financing activities	(108,063)	(531,727)	449,205	-	(190,585)
Net (decrease) increase in cash and cash equivalents	(872,913)	13,665	404,514	410,903	(43,831)
<b>CASH AND CASH EQUIVALENTS</b>					
Beginning of year	3,295,027	190,725	2,142,705	5,048,225	10,676,682
End of year	<u>\$ 2,422,114</u>	<u>\$ 204,390</u>	<u>\$ 2,547,219</u>	<u>\$ 5,459,128</u>	<u>\$ 10,632,851</u>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**  
**Year Ended June 30, 2023**

	Major Funds				
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	Loan Fund	Total
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating (loss) income	\$ (135,666)	\$ (60,643)	\$ (7,767)	\$ 182,368	\$ (21,708)
Adjustments to reconcile operating (loss) income to cash provided by (used in) operating activities:					
Depreciation and amortization	634	347,402	2,091	-	350,127
Bad debt expesne	-	-	-	219,027	219,027
Change in current assets and liabilities:					
Receivables	142	-	29,355	2,000	31,497
Prepaid expenses	5,108	-	130	-	5,238
Loans receivable, net	-	-	-	21,275	21,275
Accrued interest receivable	-	-	-	(374,176)	(374,176)
Accounts payable	4,160	(408)	(83,625)	(1,167)	(81,040)
Due to City	-	-	-	17,741	17,741
Net cash (used in) provided by operating activities	<u>\$ (125,622)</u>	<u>\$ 286,351</u>	<u>\$ (59,816)</u>	<u>\$ 67,068</u>	<u>\$ 167,981</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES					
Contributed capital	<u>\$ 13,173,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,173,607</u>

The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**1. Organization and Purpose**

The Economic Development Authority of the City of Richmond, Virginia (EDA) was created as a political subdivision of the Commonwealth of Virginia on August 28, 1972, by action of the City Council of the City of Richmond, Virginia (City). On April 24, 2006, City Council revoked the EDA's ability to issue debt until it could be reorganized. On June 26, 2006, City Council renamed the EDA as the Economic Development Authority of the City of Richmond, Virginia (Authority). On October 9, 2006, City Council adopted an ordinance that reconfigured the Authority. The Authority is governed by a seven-member Board of Directors appointed by the Richmond City Council. The Authority is considered to be a component unit of the City of Richmond, Virginia.

The purpose of the Authority is to promote industry and develop trade by inducing manufacturing, industrial, government and commercial enterprise to locate in or remain in the City of Richmond, further the economic well-being of the citizens of the City, and benefit the inhabitants of the City, increase their commerce, and promote their safety, health, welfare, convenience, and prosperity. The Authority seeks to provide additional employment for all levels of the community, to promote economic stability and growth in the community, and to assist in meeting the City's development objectives.

**2. Summary of Significant Accounting Policies**

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. They report information on all of the non-fiduciary activities of the Authority. While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activity column of the government wide statements incorporates data from the governmental fund, while business-type activities incorporate data from the Authority's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

Fund financial statements

The Authority utilizes the economic resources management focus and the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses when incurred. The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity as displayed in the supplementary information. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses, as appropriate.

Governmental fund - special revenue fund

Governmental funds are those through which most governmental functions typically are financed. A special revenue fund is a governmental fund which accounts for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Authority's special revenue fund is the Theater Fund, which contains the current Altria Theater building and associated agreements for funding of the restoration of this historic property.

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**2. Summary of Significant Accounting Policies (Continued)**

Enterprise funds

The Authority is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). For financial reporting purposes, the Operating Fund, the Leigh Street Fund, the Stone Brewery Fund, and Loan Fund all utilize the enterprise fund method of accounting using the accrual basis. For the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and cash equivalents

Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include amounts in demand deposits, treasury bills, and savings accounts.

Property and equipment

Property and equipment consist of land, buildings and improvements, and equipment. Property and equipment are recorded at cost or, if acquired through contribution, at fair value at the date of the gift. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful life of each class of depreciable assets is as follows:

Buildings and improvements	10 - 40 years
Equipment	5 - 7 years
Land leased - lease asset	51.5 years

Recoverable grant payable

Recoverable grants payable represents amounts provided by the City to the Authority for the construction of the Bon Secours Training Facility and the Stone Brewing Facility. These amounts are payable back to the City from revenues generated by the respective facilities. No formal repayment terms have been executed.

Leases

Key estimates and judgements include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts and/or payments to present value, (2) lease term, and (3) lease receipts and or payments.

- The Authority uses an estimated incremental borrowing rate as the discount rate for the lease.
- The lease term includes the noncancellable periods of the lease. Lease receipts and payments are included in the measurement of the lease receivable or liability, respectively, and are composed of fixed payments.
- The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable or liability.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**2. Summary of Significant Accounting Policies (Continued)**

Right-of-use lease asset and related lease liability

The Authority is a lessee for a noncancellable lease of 15.04 acres of land. The Authority recognizes an intangible right-to-use asset (lease asset) and a related lease liability on the government-wide financial statements and enterprise fund financial statements. At the commencement of a lease, the Authority initially measures a lease liability at the present value of payments expected to be made during the lease period. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs. Subsequent to the initial measurement and recognition, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position.

Lease receivable and related deferred inflow of resources

The Authority is a lessor for one noncancellable lease of land. The Authority recognizes lease receivables and deferred inflows of resources in the government-wide and enterprise fund financial statements. At the commencement of the lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease terms. Subsequently, the lease receivable is reduced by the principal portions of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date less any lease incentives. Subsequent to the initial measurement and recognition, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Use of estimates

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

Net position

Net position is the difference between assets and liabilities. Net position invested in capital assets represents capital assets, less accumulated depreciation, less outstanding debt related to the acquisition, construction or improvement of those assets.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**3. Significant Activities**

Leigh St. Fund

The Authority has worked in cooperation with the City of Richmond, the Department of Economic and Community Development and other private parties to develop the Bon Secours Training Center. To that end, the Authority entered into a long-term lease with the Commonwealth of Virginia to lease 15.040 acres of land within the City as well as contracts to build the facility. The foregoing was facilitated by a recoverable grant from the City of Richmond in the amount of ten million dollars. The facility was substantially complete in fiscal year-end 2013. The development of this property and the leasing and naming rights agreements associated with the project are intertwined with an additional property known as the Westhampton School Property. The City of Richmond and the Board of the Authority have agreed to transfer ownership of the Westhampton School Property to the Authority, which in turn leases it to a third party under a long-term leasing arrangement.

Stone Brewery Fund

The Authority, in collaboration with the City of Richmond and Stone Brewing Co., developed the Stone Brewery facility. The Authority previously entered into certain real estate transactions as well as construction contracts to build the facility. The foregoing was facilitated by certain grants from the State and a recoverable grant from the City of Richmond. During 2016, when construction was completed, the long-term use lease agreement between the Authority and Stone Brewing Co. became effective. See Note 5.

**4. Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**5. Financed Purchase Notes Receivable**

Stone Brewery Fund

The Authority has executed a financed purchase agreement with Stone Brewing Co., LLC for land, building and equipment. The note receivable has a value of \$31,179,771 at June 30, 2023, which is equal to the total future minimum payments under the terms of the agreement, which is \$1,740,266 annually over the term of the note which extends through June 2041. The financial statements include unearned income of \$12,221,979 related to unearned interest at 6% on the note receivable.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**5. Financed Purchase Notes Receivable (Continued)**

Stone Brewery Fund (Continued)

The following lists the components of the financed purchase note receivable at June 30, 2023:

	<b><u>Minimum Note Payments</u></b>	<b><u>Less Unearned Revenue</u></b>	<b><u>Net Receivable</u></b>
Current portion	\$ 1,595,244	\$ (1,043,809)	\$ 551,435
Noncurrent portion	<u>29,584,527</u>	<u>(11,178,170)</u>	<u>18,406,357</u>
	<u><u>\$ 31,179,771</u></u>	<u><u>\$ (12,221,979)</u></u>	<u><u>\$ 18,957,792</u></u>

Operating Fund

The Authority has executed a financed purchase agreement with Tobacco Row Land, L.P. for land for a parking facility. The note receivable has a value of \$594,000 at June 30, 2023, which is equal to the total future minimum payments under the terms of the agreement, which is \$22,000 annually over the term of the note which extends through July 2049. The financial statements include unearned income of \$204,741. The interest rate used on the agreement as of July 1, 2021, was 3.25%.

The following lists the components of the financed purchase note receivable at June 30, 2023:

	<b><u>Minimum Note Payments</u></b>	<b><u>Less Unearned Revenue</u></b>	<b><u>Net Receivable</u></b>
Current portion	\$ 22,000	\$ (12,841)	\$ 9,159
Noncurrent portion	<u>572,000</u>	<u>(191,900)</u>	<u>380,100</u>
	<u><u>\$ 594,000</u></u>	<u><u>\$ (204,741)</u></u>	<u><u>\$ 389,259</u></u>

**6. Lease Receivable / Deferred Inflow of Resources**

Leigh St. Fund

The Authority, as a lessor, has entered into a lease with a local hospital for the use of office space in a building owned by the Authority. At the beginning of the lease, the Authority recognized an original lease receivable and deferred lease revenue balance of \$705,835, using a discount rate of 3.25%. As of June 30, 2023, the outstanding balance of the lease receivable was \$56,959, all of which is current. The related deferred inflow of resources was \$54,295 as of June 30, 2023. During 2023, the Authority recognized lease and interest revenue related to this lease of \$325,770 and \$6,874, respectively. The lease revenue is included in rental and lease income on the statement of revenues, expenses, and changes in net position.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**7. Capital Assets**

A summary of changes in the Authority's capital assets are as follows:

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2023</b>
<b>Governmental activities:</b>				
Nondepreciable:				
Land	\$ 142,165	\$ -	\$ -	\$ 142,165
Depreciable:				
Buildings and improvements	14,369,902	-	-	14,369,902
Accumulated depreciation	<u>(14,369,902)</u>	<u>-</u>	<u>-</u>	<u>(14,369,902)</u>
Total depreciable, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 142,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,165</u>
<b>Business-type activities:</b>				
Nondepreciable:				
Land	\$ 1,470,223	\$ -	\$ -	\$ 1,470,223
Construction in progress	<u>54,651</u>	<u>-</u>	<u>(34,411)</u>	<u>20,240</u>
Total nondepreciable	<u>1,524,874</u>	<u>-</u>	<u>(34,411)</u>	<u>1,490,463</u>
Depreciable/amortizable:				
Buildings and improvements	15,621,304	3,168	-	15,624,472
Leased land	1,505,819	-	-	1,505,819
Website	<u>-</u>	<u>126,895</u>	<u>-</u>	<u>126,895</u>
Total depreciable/amortizable	<u>17,127,123</u>	<u>130,063</u>	<u>-</u>	<u>17,257,186</u>
Accumulated:				
Depreciation	(5,945,883)	(320,888)	-	(6,266,771)
Amortization of leased assets	<u>(29,239)</u>	<u>(29,239)</u>	<u>-</u>	<u>(58,478)</u>
Total accumulated depreciation/ amortization	<u>(5,975,122)</u>	<u>(350,127)</u>	<u>-</u>	<u>(6,325,249)</u>
Total depreciable/amortizable, net	<u>11,152,001</u>	<u>(220,064)</u>	<u>-</u>	<u>10,931,937</u>
Total business-type activities	<u>\$ 12,676,875</u>	<u>\$ (220,064)</u>	<u>\$ (34,411)</u>	<u>\$ 12,422,400</u>

(Continued)



**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**8. Property Held for Sale/Contributed Capital**

Operating Fund

During the current year, the City and Richmond Redevelopment and Housing Authority (RRHA) conveyed land to the Authority with the intent that the land be sold to a developer for a redevelopment project. If the sale does not take place, the land conveyed by the City and RRHA may revert back to the City and/or the RRHA. In recognition of these land conveyances, the Authority recognized \$13,173,607 in contributed capital on the statement of activities and statement of revenues, expenses and changes in net position – enterprise funds during 2023. The related property is reflected in land held for sale on the statement of net position and statement of net position – enterprise funds at June 30, 2023. The property received from the City was valued at the net book value that the City carried the property at the time of the transfer. The property received from the RRHA was valued at their assessed values.

**9. Lease Liability**

Leigh St. Fund

The Authority, as a lessee, has entered into a noncancellable lease agreement for the use of land near the Bon Secours Training Center. During 2022, the Authority adopted GASB 87, *Leases*, and, as a result, recognized an intangible right-to-use lease asset and related lease liability. Payments of \$40,560 are due annually through January 2032 at which point payments escalate every ten years through 2072 and are discounted at 3.25%. The following is a summary of changes in the lease liability reported on the statement of net position for the fiscal year ended June 30, 2023:

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2023</b>
Lease liability	\$ 1,469,283	\$ -	\$ -	\$ 1,469,283

Future maturities are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ -	\$ 40,560	\$ 40,560
2025	-	40,560	40,560
2026	-	40,560	40,560
2027	-	40,560	40,560
2028	-	40,560	40,560
2029 - 2033	-	219,024	219,024
2034 - 2038	-	283,920	283,920
2039 - 2043	-	295,277	295,277
2044 - 2048	91,097	249,608	340,705
2049 - 2053	134,743	219,590	354,333
2054 - 2058	217,642	191,203	408,845
2059 - 2063	272,342	152,857	425,199
2064 - 2068	391,318	99,297	490,615
2069 - 2073	362,141	30,351	392,492
	<u>\$ 1,469,283</u>	<u>\$ 1,943,927</u>	<u>\$ 3,413,210</u>

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**9. Lease Liability (Continued)**

Related lease assets totaling \$1,505,819, offset by accumulated amortization of \$58,478, is included in leased capital assets, net on the statement of net position as of June 30, 2023.

**10. Commitments and Contingencies**

The Authority has executed performance agreements with certain local businesses on behalf of the City, which contain capital investment and employment goals. Upon completion of the specific requirements, the grant funds are awarded as stated in the performance agreements. The Authority's responsibility for payment of these awards is subject to funding appropriation by the City, as such, the Authority has no exposure under these agreements. The Authority has received grant funds totaling \$352,402 from the City that have not yet been approved for distribution to the local businesses and thus are included in the Authority's restricted net position balance at June 30, 2023, along with other restricted revenue sources.

**11. Loans Program Receivables**

Commercial Area Revitalization Effort

The Commercial Area Revitalization Effort (CARE) is a loan and rebate program created by the City's Office of Economic Development and the Authority, which is designed to revitalize and return economic viability to older neighborhood commercial strips. The loan program provides for three different types of loans to eligible borrowers. CARE loans are classified as minor (less than \$125,000), moderate (\$125,000-\$200,000), and substantial (more than \$200,000). Minor loans have a 90% Authority, 10% minimum owner equity financing structure. For the substantial and moderate loans, a private loan of 50% of the requested loan amount must be obtained prior to the Authority's approval of an additional 40%, leaving a minimum 10% owner equity. The Authority has a second secured position in the moderate and substantial loans. The rebate program is designed to revitalize and return economic viability to older neighborhood districts, primarily in low and moderate-income communities. The Authority will rebate up to certain percentages and dollar amounts of renovation and improvement expenses incurred for exterior and interior rehabilitation, security improvements, and the connection of a water lateral line and/or the installation of a sprinkler system.

At June 30, 2023, the carrying value of loans receivable from the CARE program was \$26,307, less an uncollectible allowance of \$12,156. The fair value of these loans is not readily determinable. The Authority administered rebates in the amount of \$286,385 during the year ended June 30, 2023, which is included in other grants and rebates on the statement of activities.

Contractor Assistance Program

The Contractor Assistance Program (CAP) is a loan program created by City Council and administered by the City's Office of Economic Development and the Authority, which is designed to provide working capital, equipment financing, receivables financing and other qualifying uses that will support the delivery of goods or services that further the purpose of the CAP. The loan program provides loans to eligible borrowers of up to \$100,000 with varying amortizations and interest rates from 4% to 9% per annum depending on the overall credit rating of the transaction.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**11. Loans Program Receivables (Continued)**

Contractor Assistance Program (Continued)

At June 30, 2023, the carrying value of loans receivable from the CAP program was \$224,645, less an uncollectible allowance of \$87,326. The fair value of these loans is not readily determinable.

Economic Development and Housing Loan Fund

During 2013, the Economic Development and Housing Loan Fund (EDHLF) was implemented for the purpose of providing financing to local developers and small businesses pursuing Section 108 eligible projects which meet one of the Community Development Block Grant National Objectives: to facilitate large real estate economic development projects, the creation of affordable housing and other special use projects that benefit low and moderate income persons, prevent or eliminate slums or blight, create or retain jobs and provide area benefits in the City's commercial corridors and residential neighborhoods.

During the fiscal year 2013, the City had drawn down the approved loan from the United States Department of Housing and Urban Development (HUD) in the amount of \$10,205,000 and transferred the proceeds to the Authority. At June 30, 2023, approximately eight million in loans had been granted from these funds, and the carrying value of the loans was \$8,191,037 which did not include a fee income receivable, less an uncollectible allowance of \$159,898.

Revolving Loan Program

The Citywide Revolving Loan Program (RLP) is a loan program created by City Council and administered by the City's Office of Economic Development and the Authority, which is designed to provide capital for property and land acquisition, infrastructure costs, construction, rehabilitation, working capital, machinery and equipment purchases, leasehold improvements and any other use that meets the Department of Housing and Urban Development's national objectives. The loan program provides loans to eligible borrowers of up to \$250,000 with amortizations of up to 20 years and interest rates that can vary from 3% to 9% per annum depending on the overall credit rating of the transaction.

At June 30, 2023, the carrying value of loans receivable from the RLP program was \$1,034,091, less an uncollectible allowance of \$230,962. The fair value of these loans is not readily determinable.

Enterprise Zone Incentive Loans

During 1996, the Enterprise Zone Incentive Loan (EZIL) program was implemented to provide City incentives through the Authority to worthy businesses. These incentives were designed to encourage investment and job creation by new or existing businesses within the City's enterprise zones.

The EZIL Program is no longer being funded by the City. During the year ended June 30, 2011, all remaining loans receivable from the EZIL program were written off. The fund remains open to collect residual loan recovery payments. There were recoveries from loans previously written off of \$14,000 during the year ended June 30, 2023.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**12. Conduit Debt**

The Authority can authorize the issuance of revenue bonds for the purpose of obtaining and constructing facilities. Such debt is payable solely from the revenues derived from structured liens or pass-through leases of the facilities constructed for the related enterprises. Collections of revenues pledged to liquidate the bonds are assigned to a trustee. Such debt does not constitute a debt or pledge of the faith and credit of the Authority, the Commonwealth of Virginia or any political subdivision thereof. Accordingly, such debt and related assets are not presented in the financial statements.

**13. Related Party Transactions**

Loan Fund

The Authority has received funds from the City for programs that are not administered by the Authority. As a result, these are reported as Due to the City on the statement of net position. These funds total \$50,813 at June 30, 2023.

The Authority receives bookkeeping services from a third-party CPA firm. During 2000, the Authority, through the CARE program, loaned the CPA firm \$125,000. Under the original terms of this loan, interest only payments were required until May 2016 at which time the principal was due in full; however, this loan was refinanced during the year-ended June 30, 2017, to a term loan with principal and interest over a twenty-year amortization with a five-year balloon payment due May 2022. The remaining balance of \$1,410 was paid off in the current year.

During 2023, the City made a contribution to the CARE loan program of \$600,000.

Operating Fund

During the year ended June 30, 2023, the Authority received \$635,881 in economic development incentives from the City to be passed on to approved businesses in accordance with the terms of performance agreements. Incentive grants of \$817,362 were paid out during the year. Additionally, prior to 2021, the Authority made City-approved disbursements in excess of receipts of \$119,692. This is included in Due from the City on the statement of net position.

Prior to 2021, the Authority had received from the City \$550,000 in funding for a Façade Improvement Grant Program. During the year, the Authority received \$350,000 from the City in funding for the grant and the Hull Street Façade Grant. Grants of \$517,505 were awarded under this program in prior years and \$47,495 was awarded during the year ended June 30, 2023. These grants are included in other operating expenses on the statement of revenues, expenses and changes in net position. The remaining balance of \$335,000 is classified as restricted net position on the statement of net position.

During the year ended June 30, 2023, the Authority received \$100,000 from the City to be used for business recruitment and retention incentives, implementation of the Strategic Plan for Equitable Economic Development, and for expenses related to the Coliseum City Center redevelopment project.

During the year, there was a transfer of \$100,000 from the Operating Fund to the Leigh St. Fund to help supplement expenses incurred at the Bon Secours Training Center.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**14. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

**15. Recoverable Grant Payable**

Amounts noted as recoverable grants payable are amounts payable to the City of Richmond. In prior years, funds were received from the City and were used for developing the Leigh Street and Stone Brewing projects. Funds must be paid back to the City in an amount equal to the initial outlay at the conclusion of the project. There have been no agreements or terms developed by the Authority or the City regarding repayment of the Leigh Street Fund grant payable. During 2017, the terms of the Stone Brewing project grant payable were determined and are as follows:

Recoverable grant payable to the City of Richmond of  
\$23,000,000 due in annual installments of varying amounts and  
at various interest rates through June 1, 2041; interest payable  
semi-annually at rates ranging from 3% to 4%. \$ 18,385,000

Activity in long-term recoverable grants payable for fiscal year 2023 follows:

	<u>Balance June 30, 2022</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2023</u>	<u>Amount Due Within One Year</u>
Leigh Street Fund	\$ 6,500,000	\$ -	\$ (500,000)	\$ 6,000,000	\$ -
Stone Brewery Fund	<u>19,115,000</u>	<u>-</u>	<u>(730,000)</u>	<u>18,385,000</u>	<u>750,000</u>
	<u>\$ 25,615,000</u>	<u>\$ -</u>	<u>\$ (1,230,000)</u>	<u>\$ 24,385,000</u>	<u>\$ 750,000</u>

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**15. Recoverable Grant Payable (Continued)**

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 750,000	\$ 688,212	\$ 1,438,212
2025	775,000	665,713	1,440,713
2026	795,000	642,462	1,437,462
2027	820,000	617,619	1,437,619
2028	850,000	590,969	1,440,969
2029-2033	4,705,000	2,484,713	7,189,713
2034-2038	5,695,000	1,500,400	7,195,400
2039-2041	<u>3,995,000</u>	<u>323,800</u>	<u>4,318,800</u>
	<u>\$ 18,385,000</u>	<u>\$ 7,513,888</u>	<u>\$ 25,898,888</u>

**16. Subsequent Event**

The Authority entered into an agreement with the City of Richmond in October 2022 to allocate \$700,000 to the Authority from the City's American Rescue Program Act (ARPA) federal grant funds. The Authority plans to use the funds for technical assistance, loans, and grants to assist small business in an effort to promote economic development and recovery from the pandemic. The Authority did not receive the funds until August 14, 2023, from the City, and no expenditures related to the grant had been incurred as of June 30, 2023.

## **COMPLIANCE SECTION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the Board of Directors of the  
Economic Development Authority of the City of Richmond, Virginia  
(A Component Unit of the City of Richmond, Virginia)  
Richmond, Virginia

We have audited, in accordance with the 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 *Specifications for Audits of Authorities, Board, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activities and each major fund of the Economic Development Authority of the City of Richmond, Virginia (the "Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 21, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 a deficiency in internal controls, described in the accompanying schedule of findings and responses, as item 2023-001, that we consider to be a significant deficiency.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
September 21, 2023

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA  
(A Component Unit of the City of Richmond, Virginia)**

**SUMMARY OF COMPLIANCE MATTERS  
June 30, 2023**

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Cash and Investment Laws

Conflicts of Interest Act

Procurement Laws

Uniform Disposition of Unclaimed Property Act

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2023**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One significant deficiency related to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were disclosed.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**2023-01: Material Adjusting Journal Entries (Significant Deficiency in Internal Control over Financial Reporting)**

*Condition and Criteria:*

As part of our audit, we proposed multiple significant adjustments related to various balances within the Stone Brewery and Operating Funds. These are reviewed and approved by management; however, we believe that this review would only detect material misstatements, and that a misstatement that is more than inconsequential may not be prevented or detected.

*Effect:*

*Financial statements and related disclosures prepared on a generally accepted accounting principles (GAAP) basis may be misstated by an amount that is more than inconsequential.*

*Cause:*

Due to the small size of the Authority, there is a limited accounting staff with the background needed in governmental accounting to assist with the majority of the audit adjustments posted.

*Recommendation:*

We recommend that material transactions be thoroughly reviewed by management and a member of the Board who has a background in financial reporting. We also recommend that management meet regularly with the auditors to keep up to date on changes in GAAP and continue to review the draft GAAP financial statements and related disclosures prior to issuance.

*Views of Responsible Officials and Planned Corrective Action:*

Management agrees with the recommendation that material transactions be thoroughly reviewed by management and a member of the Board who has a background in financial accounting. Management will update its internal policies and protocols to reflect this for material transactions related to the acquisition or disposition of real estate, the receipt or disbursement of federal funds, and other non-standard transactions. Management will also meet with the auditors semi-annually commencing in the Fall of 2023 to keep up to date on changes in GAAP and continue to review the draft GAAP financial statements and related disclosures prior to issuance.

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2023**

**C. FINDINGS - COMMONWEALTH OF VIRGINIA**

None noted.

**D. STATUS OF PRIOR YEAR FINANCIAL STATEMENT AUDIT FINDINGS**

**2022-001: Allowance for Loan Losses on Notes Receivable (Significant Deficiency)**

*Condition:*

During our testing over the allowance for loan losses on notes receivable, we noted that the allowances for several of the loan programs were incorrectly calculated and resulted in overstating balances. As a result, the audit team had to post material adjustments to correct the balances.

*Recommendation:*

We recommend that someone other than the preparer review the calculations to ensure their accuracy prior to posting.

*Current Status:*

This has been addressed in the current year.

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VA

CORRECTIVE ACTION PLAN

June 30, 2023



September 11, 2023

Leslie F. Roberts, CPA  
Partner  
Brown, Edwards & Company, L.L.P.  
701 Town Center Drive  
Suite 700  
Newport News, Virginia 23606

Re: Management Response to Finding 2023-01

Dear Leslie:

Thank you for the work done by the Brown, Edwards & Company, L.L.P. audit team on the Economic Development Authority of the City of Richmond, Virginia's ("EDA") Fiscal Year 2023 financial audit. The EDA is pleased that the work and corrective actions put in place to respond to findings in prior year audits have helped to ensure continuous improvement in the EDA's financial statements. Below is **Management's Response to Finding 2023-01** in the Fiscal Year 2023 audit:

*Management agrees with the recommendation that material transactions be thoroughly reviewed by management and a member of the Board who has a background in financial accounting. Management will update its internal policies and protocols to reflect this for material transactions related to the acquisition or disposition of real estate, the receipt or disbursement of federal funds, and other non-standard transactions. Management will also meet with the auditors semi-annually commencing in the Fall of 2023 to keep up to date on changes in GAAP and continue to review the draft GAAP financial statements and related disclosures prior to issuance.*

Please let me know if there is any additional information that we can provide.

Sincerely,

A handwritten signature in black ink, appearing to read 'L. Sledge'.

Leonard L. Sledge  
Executive Director