

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

(A Component Unit of the City of Richmond, Virginia)

FINANCIAL REPORT

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Economic Development Authority of the City of Richmond, Virginia, a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 the aggregate remaining fund information of the Economic Development Authority of the City of Richmond, Virginia as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining statement of assets and liabilities - agency funds and the combining statement of changes in assets and liabilities - agency funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 September 24, 2020, 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 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 24, 2020

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, 2020

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 years ended June 30, 2020 and 2019. 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. It also receives funds for managing loan portfolios of the City of Richmond, Virginia. The Authority acts as the fiscal agent and maintains separate fiduciary accounts for each of these portfolios.

Government-wide statement of net position

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

	Governmental Activities		Business-Type Activities		Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 6,789,506	\$ 8,815,928	\$ 6,789,506	\$ 8,815,928
Capital assets, net	638,236	1,117,224	11,741,311	12,070,060	12,379,547	13,187,284
Other assets	-	-	21,302,045	21,288,122	21,302,045	21,288,122
Total assets	<u>\$ 638,236</u>	<u>\$ 1,117,224</u>	<u>\$ 39,832,862</u>	<u>\$ 42,174,110</u>	<u>\$ 40,471,098</u>	<u>\$ 43,291,334</u>
Liabilities:						
Current liabilities	\$ -	\$ -	\$ 924,593	\$ 854,647	\$ 924,593	\$ 854,647
Revenues received in advance	-	-	222,507	665,841	222,507	665,841
Recoverable grant payable	-	-	27,325,000	28,510,000	27,325,000	28,510,000
Total liabilities	-	-	28,442,100	30,030,488	28,442,100	30,030,488
Net position	<u>638,236</u>	<u>1,117,224</u>	<u>11,360,762</u>	<u>12,143,622</u>	<u>11,998,998</u>	<u>13,260,846</u>
Total liabilities and net position	<u>\$ 638,236</u>	<u>\$ 1,117,224</u>	<u>\$ 39,832,862</u>	<u>\$ 42,174,110</u>	<u>\$ 40,471,098</u>	<u>\$ 43,291,334</u>

There was a decrease in cash and cash equivalents of \$2,026,422, primarily due to funds received from the City of Richmond for economic development incentive grants in the prior year which were disbursed in the current year.

There was a decrease in net capital assets of \$807,737, due to depreciation expense.

There was an increase in other assets of \$13,923, primarily due to the receivable that is owed from Stone Brewery for overpayments on grants.

There was an increase in current liabilities of \$69,946, primarily due to the increase in deferred revenue, current portion of recoverable grants payable, and payable owed to the City for overpayment on the economic incentive grants.

There was a decrease in advance receipt of revenues of \$443,334, due to the amortization of the Leigh Street Property naming rights.

There was a decrease in recoverable grant payable of \$1,185,000, primarily due to the payments made on the recoverable grant payable to the City of Richmond related to the Stone Brewery and Leigh Street projects.

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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, 2020

Following is a condensed statement of assets and liabilities of the agency funds at June 30:

	<u>2020</u>	<u>2019</u>
Assets:		
Cash	\$ 5,318,826	\$ 9,163,038
Notes and interest receivable, net of allowance	<u>9,269,933</u>	<u>5,420,674</u>
Total assets	<u>\$ 14,588,759</u>	<u>\$ 14,583,712</u>
Liabilities:		
Accounts payable	\$ 95,649	\$ 5,329
Due to the City of Richmond	<u>14,493,110</u>	<u>14,578,383</u>
Total liabilities	<u>\$ 14,588,759</u>	<u>\$ 14,583,712</u>

There was a decrease in cash of \$3,844,212, primarily due to a loan of approximately \$2,293,750 under the EDHLF program.

There was an increase in notes and interest receivable of \$3,849,259, primarily due to the increase in loans in the EDHLF program.

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>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Revenues:						
Grant from the City of Richmond	\$ -	\$ -	\$ 741,172	\$ 2,755,000	\$ 741,172	\$ 2,755,000
Other grants	-	-	221,000	279,000	221,000	279,000
Rental income	-	-	821,205	812,254	821,205	812,254
Loan administration fees	-	-	36,000	36,075	36,000	36,075
Sponsorship fees	-	-	443,334	443,333	443,334	443,333
Interest on capital lease	-	-	1,267,190	1,404,181	1,267,190	1,404,181
Grant recovery	-	-	-	586,172	-	586,172
Other	<u>-</u>	<u>-</u>	<u>398,861</u>	<u>467,131</u>	<u>398,861</u>	<u>467,131</u>
Total revenues	<u>-</u>	<u>-</u>	<u>3,956,762</u>	<u>6,783,146</u>	<u>3,956,762</u>	<u>6,783,146</u>
Expenses:						
Economic development incentives	-	-	2,631,784	812,515	2,631,784	812,515
Building operations and maintenance	-	-	347,864	322,650	347,864	322,650
Depreciation	478,988	478,987	328,749	337,331	807,737	816,318
Interest	-	-	767,229	811,910	767,229	811,910
Other	<u>-</u>	<u>-</u>	<u>663,996</u>	<u>826,811</u>	<u>663,996</u>	<u>826,811</u>
Total expenses	<u>478,988</u>	<u>478,987</u>	<u>4,739,622</u>	<u>3,111,217</u>	<u>5,218,610</u>	<u>3,590,204</u>
Change in net position	<u>\$ (478,988)</u>	<u>\$ (478,987)</u>	<u>\$ (782,860)</u>	<u>\$ 3,671,929</u>	<u>\$ (1,261,848)</u>	<u>\$ 3,192,942</u>

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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, 2020

Grant revenue from the City of Richmond, Virginia and other grants was less than grant expenses by \$1,669,612, due to a timing difference between receipt of the grant revenue from the City in the prior year and disbursement to the qualifying business in the current year.

The Authority has expanded 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 with a good likelihood of additional funding for loan programs. The Authority can reasonably expect that its costs will continue to be covered.

Accomplishments and economic outlook

During the year ending June 30, 2020, the Authority serviced the Commercial Area Revitalization Effort (CARE) Program for the City of Richmond. The CARE Program is designed to revitalize and return economic viability to older neighborhood districts, primarily in the City's low and moderate-income communities. The Extra CARE Program operates in non-CARE commercial areas in need of revitalization and/or stabilization. There were 43 CARE and Extra CARE rebates disbursed totaling \$284,061 during FY2020. This public investment figure stimulated approximately \$11,500,000 in private investment, helped to create 74 jobs and retain 70 jobs. There were 6 new businesses supported through the program.

The Authority anticipates being a major player in the \$200 million North Church Hill neighborhood revitalization de-concentration of poverty project in that historic east end neighborhood in our City. This mixed-income initiative will be ongoing for the next 10 years with the creation of a variety of housing opportunities within the current Creighton public housing complex and the old Armstrong High School site. The first phase is a \$26.5 million mixed-income development of 105 rental units on the Armstrong site. Funding of up to \$5,130,000 will come from our EDHLF with the remaining funding coming from private debt, low income housing tax credits and developer/owner equity.

The Authority has worked in cooperation with the City of Richmond, the Department of Economic Development and other private parties to operate the Bon Secours Washington Football Team Training Center. The Authority completed the facility in 2013. All of the first floor and approximately one-third of the second floor are under lease. The Authority completed the remainder of the second floor which is now being used as an event space. The Bon Secours Washington Football Team Training Center is expected to continue to have a material positive impact on the statement of revenues, expenses and changes in net position of the Authority for the foreseeable future.

The Authority completed the first phase of the Stone Brewery Project during 2016. The Authority has entered into a twenty-five year lease on the property with the first lease payment being made in July, 2016. Monthly rental income is received from Stone Brewing, the majority of which is used to make debt service payments to the City of Richmond. The Stone Brewery Project is expected to have a material positive impact on the statement of revenues, expense and changes in net position on the Authority for the foreseeable future.

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, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ 6,789,506	\$ 6,789,506
Other receivables	-	152,599	152,599
Loans receivable	-	308,139	308,139
Prepaid expenses	-	27,728	27,728
Net investment in capital lease receivable	-	459,620	459,620
Total current assets	<u>-</u>	<u>7,737,592</u>	<u>7,737,592</u>
NONCURRENT ASSETS			
Capital assets, net	638,236	11,741,311	12,379,547
Net investment in capital lease receivable, less current portion	-	20,102,585	20,102,585
Other noncurrent assets	<u>-</u>	<u>251,374</u>	<u>251,374</u>
Total noncurrent assets	<u>638,236</u>	<u>32,095,270</u>	<u>32,733,506</u>
Total assets	<u><u>\$ 638,236</u></u>	<u><u>\$ 39,832,862</u></u>	<u><u>\$ 40,471,098</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ 43,285	\$ 43,285
Accrued interest payable	-	62,308	62,308
Deposits and reserves	-	112,000	112,000
Rents received in advance	-	22,000	22,000
Current portion of recoverable grants payable	<u>-</u>	<u>685,000</u>	<u>685,000</u>
Total current liabilities	<u>-</u>	<u>924,593</u>	<u>924,593</u>
NONCURRENT LIABILITIES			
Recoverable grants payable	-	27,325,000	27,325,000
Sponsorship fee received in advance	<u>-</u>	<u>222,507</u>	<u>222,507</u>
Total current liabilities	<u>-</u>	<u>27,547,507</u>	<u>27,547,507</u>
Total liabilities	<u>-</u>	<u>28,472,100</u>	<u>28,472,100</u>
NET POSITION			
Net investment in capital assets	638,236	4,241,311	4,879,547
Restricted	-	1,737,212	1,737,212
Unrestricted	<u>-</u>	<u>5,382,239</u>	<u>5,382,239</u>
Total net position	<u>638,236</u>	<u>11,360,762</u>	<u>11,998,998</u>
Total liabilities and net position	<u><u>\$ 638,236</u></u>	<u><u>\$ 39,832,862</u></u>	<u><u>\$ 40,471,098</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 ACTIVITIES
Year Ended June 30, 2020

	Governmental Activities	Business-Type Activities	Total
OPERATING REVENUES			
Sponsorship fee	\$ -	\$ 443,334	\$ 443,334
Rental income	-	821,205	821,205
Loan administration fees	-	36,000	36,000
Other	-	421,988	421,988
	<hr/>	<hr/>	<hr/>
Total operating revenues	-	1,722,527	1,722,527
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES			
Personnel	-	253,819	253,819
Professional services	-	96,304	96,304
Internet and telephone services	-	7,695	7,695
Building operations and maintenance	-	347,864	347,864
Rent	-	40,560	40,560
Other	-	265,618	265,618
Depreciation	478,988	328,749	807,737
	<hr/>	<hr/>	<hr/>
Total operating expenses	478,988	1,340,609	1,819,597
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(478,988)	381,918	(97,070)
	<hr/>	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES)			
Grants from the City of Richmond	-	741,172	741,172
Economic development incentives	-	(2,631,784)	(2,631,784)
Other grants	-	221,000	221,000
Interest on capital lease	-	1,267,190	1,267,190
Interest expense	-	(767,229)	(767,229)
Interest income	-	4,873	4,873
	<hr/>	<hr/>	<hr/>
Total non-operating expenss	-	(1,164,778)	(1,164,778)
	<hr/>	<hr/>	<hr/>
Change in net position	(478,988)	(782,860)	(1,261,848)
	<hr/>	<hr/>	<hr/>
Net position, beginning of year	1,117,224	12,143,622	13,260,846
	<hr/>	<hr/>	<hr/>
Net position, end of year	<u>\$ 638,236</u>	<u>\$ 11,360,762</u>	<u>\$ 11,998,998</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, 2020

	<u>Theater Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ -
FUND BALANCE	
Unassigned	\$ -
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	
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 funds:	
Capital assets, cost	14,512,067
Accumulated depreciation	<u>(13,873,831)</u>
	<u>638,236</u>
Net position of governmental activities	<u><u>\$ 638,236</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, 2020

	<u>Theater Fund</u>
OPERATING REVENUES	
Naming rights fees	\$ -
OPERATING EXPENDITURES	
Restoration grant	-
Change in fund balance	-
Fund balance, beginning of year	-
Fund balance, end of year	<u>\$ -</u>

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

Change in fund balance, total governmental fund	\$ -
-------------------------------------------------	------

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	<u>(478,988)</u>
Change in net position of governmental activities	<u>\$ (478,988)</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 NET POSITION
ENTERPRISE FUNDS
June 30, 2020

	Major Funds			
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,803,952	\$ 139,046	\$ 1,846,508	\$ 6,789,506
Other receivables	133,266	-	19,333	152,599
Loan receivable	308,139	-	-	308,139
Prepaid expenses	3,555	20,280	3,893	27,728
Net investment in capital lease receivable, current portion	-	-	459,620	459,620
Total current assets	5,248,912	159,326	2,329,354	7,737,592
NONCURRENT ASSETS				
Capital assets, net	-	11,085,255	656,056	11,741,311
Net investment in capital lease receivable, less current portion	-	-	20,102,585	20,102,585
Other noncurrent assets	-	251,374	-	251,374
Total noncurrent assets	-	11,336,629	20,758,641	32,095,270
Total assets	<u>\$ 5,248,912</u>	<u>\$11,495,955</u>	<u>\$23,087,995</u>	<u>\$39,832,862</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 32,378	\$ 1,550	\$ 9,357	\$ 43,285
Accrued interest payable	-	-	62,308	62,308
Reserves and deposits	-	112,000	-	112,000
Rents received in advance	22,000	-	-	22,000
Current portion of recoverable grants payable	-	-	685,000	685,000
Total current liabilities	54,378	113,550	756,665	924,593
NONCURRENT LIABILITIES				
Recoverable grants payable, long term	-	7,500,000	19,825,000	27,325,000
Sponsorship fee received in advance	-	222,507	-	222,507
Total noncurrent liabilities	-	7,722,507	19,825,000	27,547,507
Total liabilities	54,378	7,836,057	20,581,665	28,472,100
NET POSITION				
Net investment in capital assets	\$ -	\$ 3,585,255	\$ 656,056	\$ 4,241,311
Restricted	1,737,212	-	-	1,737,212
Unrestricted	3,457,322	74,643	1,850,274	5,382,239
Total net position	5,194,534	3,659,898	2,506,330	11,360,762
Total liabilities and net position	<u>\$ 5,248,912</u>	<u>\$11,495,955</u>	<u>\$23,087,995</u>	<u>\$39,832,862</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, 2020

	Major Funds			
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	Total
OPERATING REVENUES				
Sponsorship fee	\$ -	\$ 443,334	\$ -	\$ 443,334
Rental income	22,000	799,205	-	821,205
Loan administration fees	36,000	-	-	36,000
Event and other income	12,091	409,897	-	421,988
Total operating revenues	70,091	1,652,436	-	1,722,527
OPERATING EXPENSES				
Personnel	961	252,858	-	253,819
Professional services	45,309	23,832	27,163	96,304
Internet and telephone services	-	7,695	-	7,695
Building operations and maintenance	-	347,864	-	347,864
Rent	-	40,560	-	40,560
Other	51,944	199,819	13,855	265,618
Depreciation	-	328,749	-	328,749
Total operating expenses	98,214	1,201,377	41,018	1,340,609
Operating income (loss)	(28,123)	451,059	(41,018)	381,918
NONOPERATING REVENUES (EXPENSES)				
Grants from the City of Richmond	741,172	-	-	741,172
Economic development incentives	(2,631,784)	-	-	(2,631,784)
Other grants	221,000	-	-	221,000
Interest on capital lease	-	-	1,267,190	1,267,190
Interest expense	-	-	(767,229)	(767,229)
Interest income	4,280	91	502	4,873
Total nonoperating revenues (losses)	(1,665,332)	91	500,463	(1,164,778)
Income before transfers	(1,693,455)	451,150	459,445	(782,860)
Transfers in (out)	(250,000)	250,000	-	-
Change in net position	(1,943,455)	701,150	459,445	(782,860)
Net position, beginning of year	7,137,989	2,958,748	2,046,885	12,143,622
Net position, end of year	<u>\$ 5,194,534</u>	<u>\$ 3,659,898</u>	<u>\$ 2,506,330</u>	<u>\$11,360,762</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 CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2020

	Major Funds			
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	Total
OPERATING ACTIVITIES				
Receipts from rentals	\$ 44,000	\$ 799,205	\$ -	\$ 843,205
Receipts from loan administration	36,000	-	-	36,000
Receipts from other activities	1,874	409,897	-	411,771
Payments for operating activities	(96,052)	(884,468)	(32,641)	(1,013,161)
Net cash provided by (used in) operating activities	(14,178)	324,634	(32,641)	277,815
NONCAPITAL FINANCING ACTIVITIES				
Grants and receipts from City of Richmond	651,480	-	18,736	670,216
Grants and receipts from others	221,000	-	-	221,000
Economic development incentive payments	(2,631,784)	-	-	(2,631,784)
Payments from escrows and reserves	-	(66,723)	-	(66,723)
Transfers between funds	(250,000)	250,000	-	-
Payments for loans	(308,139)	-	-	(308,139)
Net cash provided by (used in) noncapital financing activities	(2,317,443)	183,277	18,736	(2,115,430)
INVESTING ACTIVITIES				
Interest earned	4,280	91	502	4,873
CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash paid for interest	-	-	(773,946)	(773,946)
Payments received on capital lease	-	-	1,740,266	1,740,266
Payments of recoverable grant payable	-	(500,000)	(660,000)	(1,160,000)
Net cash provided by (used in) capital and related financing activities	-	(500,000)	306,320	(193,680)
Net increase (decrease) in cash and cash equivalents	(2,327,341)	8,002	292,917	(2,026,422)
CASH AND CASH EQUIVALENTS				
Beginning of year	7,131,293	131,044	1,553,591	8,815,928
End of year	<u>\$ 4,803,952</u>	<u>\$ 139,046</u>	<u>\$ 1,846,508</u>	<u>\$ 6,789,506</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 CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2020

(Continued)

	<u>Major Funds</u>			<u>Total</u>
	<u>Operating Fund</u>	<u>Leigh St. Fund</u>	<u>Stone Brewery Fund</u>	
RECONCILIATION OF OPERATING INCOME				
(LOSS) TO NET CASH PROVIDED BY				
(USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (28,123)	\$ 451,059	\$ (41,018)	\$ 381,918
Adjustments to reconcile operating (loss) income to cash provided by (used in) operating activities:				
Depreciation	-	328,749	-	328,749
Change in current assets and liabilities:				
Receivables	(10,217)	-	-	(10,217)
Prepaid expenses	16	-	(980)	(964)
Accounts payable	2,146	(11,840)	9,357	(337)
Revenue received in advance	22,000	(443,334)	-	(421,334)
Net cash provided by (used in) operating activities	<u>\$ (14,178)</u>	<u>\$ 324,634</u>	<u>\$ (32,641)</u>	<u>\$ 277,815</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 ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2020

ASSETS

Cash and cash equivalents	\$ 5,318,826
Receivables, net of allowance for noncollectibles of \$235,770:	
Notes	8,860,554
Interest	409,379
Due from City of Richmond	<u>4,404</u>
 Total assets	 <u><u>\$ 14,593,163</u></u>

LIABILITIES

Accounts payable	\$ 95,649
Due to the City of Richmond	<u>14,497,514</u>
 Total liabilities	 <u><u>\$ 14,593,163</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)

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the government-wide financial statements.

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.

(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, 2020

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, and the Stone Brewery 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.

Fiduciary funds (agency funds)

The Commercial Area Revitalization Effort (CARE), Enterprise Zone Incentive Loans (EZIL), Contractor Assistance Program (CAP), Economic Development and Housing Loan Fund (EDHLF), and Revolving Loan Program (RLP) Funds are funds held by the Authority in an agency capacity for the City of Richmond and are reported utilizing the accrual basis of accounting.

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.

Rent receivables/allowance for doubtful accounts

Rent receivables are stated at book value utilizing an allowance for doubtful accounts. The allowance is computed using historical collection data.

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

Recoverable grant payable

Recoverable grants payable represent amounts provided by the City to the Authority for the construction of the Bon Secours Redskins 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.

(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, 2020

2. Summary of Significant Accounting Policies (Continued)

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 any outstanding debt related to the acquisition, construction or improvement of those assets.

3. Activity in Current Fiscal Year

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 Washington Redskins 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 at 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 will lease it to a third party under a long term lease. Both facilities will have a material impact on the Authority's statement of net position. Additionally, the Bon Secours Washington Redskins Training Center is expected to have a material positive impact on the statement of activities of the Authority for the foreseeable future. At June 30, 2020, all payments on the naming rights agreement had been received and recorded in deferred revenue. Pursuant to the agreement, the amount of revenue recognized in the current fiscal year was \$443,334, with a remaining deferred amount of \$222,507 to be earned evenly through December 2020.

Stone Brewery Fund

The Authority is working with the City of Richmond and Stone Brewing Co. to develop the Stone Brewery facility. To that end, the Authority has entered into certain real estate transactions as well as construction contracts to build the facility. The foregoing is being 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.

(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, 2020

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. Capital Assets

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

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental activities:				
Nondepreciable:				
Land	\$ 142,165	\$ -	\$ -	\$ 142,165
Depreciable:				
Buildings and improvements	14,369,902	-	-	14,369,902
Accumulated depreciation	<u>(13,394,843)</u>	<u>(478,988)</u>	<u>-</u>	<u>(13,873,831)</u>
Total depreciable, net	<u>975,059</u>	<u>(478,988)</u>	<u>-</u>	<u>496,071</u>
Total governmental activities	<u>\$ 1,117,224</u>	<u>\$ (478,988)</u>	<u>\$ -</u>	<u>\$ 638,236</u>
Business-type activities:				
Nondepreciable:				
Land	\$ 1,470,223	\$ -	\$ -	\$ 1,470,223
Construction in progress	<u>34,411</u>	<u>-</u>	<u>-</u>	<u>34,411</u>
Total nondepreciable	<u>1,504,634</u>	<u>-</u>	<u>-</u>	<u>1,504,634</u>
Depreciable:				
Buildings and improvements	15,537,679	-	-	15,537,679
Accumulated depreciation	<u>(4,972,253)</u>	<u>(328,749)</u>	<u>-</u>	<u>(5,301,002)</u>
Total depreciable, net	<u>10,565,426</u>	<u>(328,749)</u>	<u>-</u>	<u>10,236,677</u>
Total business-type activities	<u>\$ 12,070,060</u>	<u>\$ (328,749)</u>	<u>\$ -</u>	<u>\$ 11,741,311</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, 2020

6. Lease Receivable

The Authority has executed a capital lease agreement with Koochenvagner's Brewing Co. (d/b/a Stone Brewing Co.) for land, building, and equipment. The capital lease has a value of \$36,400,570 at June 30, 2020, which equals the total of future minimum payments under the lease terms, which is \$1,740,226 annually over the term of the lease which extends through June 2041. The financial statements include unearned income of \$15,838,365 related to unearned interest on the capital lease receivable.

The following lists the components of the net investment in lease receivable at June 30, 2020:

	<u>Minimum Lease Payments</u>	<u>Less Unearned Revenue</u>	<u>Net Investment</u>
Current portion	\$ 1,595,244	\$ (1,135,624)	\$ 459,620
Noncurrent portion	<u>34,805,326</u>	<u>(14,702,741)</u>	<u>20,102,585</u>
	<u>\$ 36,400,570</u>	<u>\$ (15,838,365)</u>	<u>\$ 20,562,205</u>

7. 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. At June 30, 2020, the Authority has outstanding performance agreements of approximately \$6,370,603 pending the accomplishment of the goals contained in the performance agreements.

The Authority received a grant award in the prior year as a result of a grant that was applied for on their behalf by the City. At June 30, 2020, the Authority had an outstanding amount of \$7,067 that was due to the awardee.

8. Notes Receivable - Agency Funds

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.

(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, 2020

8. Notes Receivable - Agency Funds (Continued)

At June 30, 2020, the carrying value of loans receivable from the CARE program was \$143,112, less an uncollectible allowance of \$13,548. The fair value of these loans is not readily determinable. The Authority administered rebates in the amount of \$284,325 during the year ended June 30, 2020.

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.

At June 30, 2020, the carrying value of loans receivable from the CAP program was \$233,109, less an uncollectible allowance of \$37,007. The fair value of these loans is not readily determinable.

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, 2020, the carrying value of loans receivable from the RLP program was \$841,359, less an uncollectible allowance of \$74,885. 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 no recoveries from loans previously written off during the year ended June 30, 2020.

(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, 2020

8. Notes Receivable - Agency Funds (Continued)

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 \$10,125,000 and transferred the proceeds to the Authority. At June 30, 2020, approximately eight million in loans had been granted from these funds, and the carrying value of the loans was \$7,876,609 which did not include a fee income receivable, less an uncollectible allowance of \$110,330.

9. Loans Receivable

The Authority designated \$1,000,000 of its own funds to give to local business as a response to the effects of the COVID-19 pandemic. The maximum amount of the loan was limited to six months of current employee wages or \$20,000. Loan proceeds were paid out in six equal monthly disbursements. Repayments on the loans are deferred for six months after the final disbursement. After the deferment period, the loans will be repaid over 48 month. There is no interest to be paid on the loans. As of June 30, 2020, a total of \$894,920 had been approved and a total of \$308,139 had been paid out by the Authority. As of June 30, 2020, the Authority was treating these as loans with the expectation that the balance would be paid back to the Authority. However, subsequent to year end, the Authority received notification that they were going to receive \$1 million in CARES funding from the City of Richmond. As a result, the Authority approved to apply the funding to forgive the small disaster loan fund.

10. 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.

(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, 2020

11. Related Party Transactions

Enterprise funds

During the year ended June 30, 2020, the Authority received \$621,480 in economic development incentives from the City to be passed on to businesses operating within the City. Incentive grants of \$2,138,851 were paid out during the year. Due to overpayments between the City and the Authority on these grants, there was an balance of \$30,000 that was owed to the City as of June 30, 2020, which is included in accounts payable on the statement of net position. The Authority has received from the City \$550,000 in funding for a Façade Improvement Grant Program. Grants of \$492,505 were awarded under this program in prior years and nothing was awarded during the year ended June 30, 2020. These grants are included in other operating expenses on the statement of revenues, expenses and changes in net position. The remaining balance of \$57,495 is classified as restricted net position on the statement of net position.

Agency funds

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 loan balance was \$106,987 at June 30, 2020.

12. 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.

13. Due to City of Richmond - Agency Fund

Amounts noted as due to the City of Richmond within the Agency Funds (CARE, CAP, RLP, EDHLF and EZIL) are funds which belong to and would be returned to the City should the programs cease operations.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

14. Recoverable Grant Payable - Enterprise Fund

Amounts noted as a recoverable grants payable are amounts payable to the City of Richmond. The 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 \$7,500,000 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 3%-4%. \$ 20,510,000

Activity in long-term recoverable grants payable for fiscal year 2020 follows:

	<u>Balance June 30, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2020</u>	<u>Amount Due Within One Year</u>
Outstanding	<u>\$ 21,170,000</u>	<u>\$ -</u>	<u>\$ (660,000)</u>	<u>\$ 20,510,000</u>	<u>\$ 685,000</u>

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>
2021	\$ 685,000	\$ 751,963	\$ 1,436,963
2022	710,000	731,412	1,441,412
2023	730,000	710,113	1,440,113
2024	750,000	688,212	1,438,212
2025	775,000	665,713	1,440,713
2026-2030	4,245,000	2,944,563	7,189,563
2031-2035	5,070,000	2,124,400	7,194,400
2036-2040	6,160,000	1,035,000	7,195,000
2041	<u>1,385,000</u>	<u>55,400</u>	<u>1,440,400</u>
	<u>\$ 20,510,000</u>	<u>\$ 9,707,376</u>	<u>\$ 30,217,376</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, 2020

15. Interfund Transactions

Transfers between funds during the year were as follows:

	<u>In</u>	<u>Out</u>
Operating Fund	\$ -	\$ 250,000
Leigh Street	<u>250,000</u>	<u>-</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>

16. Subsequent Event

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Authority’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

On July 30, 2020, the City of Richmond allocated \$1 million from its CARES Act funding to the Authority. The Authority plans to use the funds to forgive the loans made to local businesses under the Authority’s Small Business Disaster Loan program, as discussed in Note 9.

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
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 the aggregate remaining fund information of the Economic Development Authority of the City of Richmond, Virginia (the "Authority") as of and for the year ended June 30, 2020, 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 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit, 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item 2020-001 that we consider to be a significant deficiency.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses, as item 2020-001.

Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 20, 2020

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

SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

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, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. Finding 2020-001 relating 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

2020-001: Internal Control Over Cash (Significant Deficiency)

Condition:

During our audit procedures over cash, we noted the following:

- There were several accounts that could not be confirmed as the current Treasurer was not listed as an authorized check signer. We recommend that the current Treasurer be listed as the authorized check signer on all of the Authority's bank accounts;
- There is no formal review of cash reconciliations noted during walkthroughs of internal controls over cash; and,
- There was a total of \$75,833 in checks outstanding that were issued prior to year-end but had not cleared the bank related to the small business disaster loans. However, the checks were not reflected in the trial balance for the loan receivable and cash balance as of June 30, 2020.

Criteria:

The Authority should, at all times, maintain an adequate control environment over Authority accounts such that only the most appropriate individuals have access to and authority over such accounts. Additionally, all account reconciliations should be reviewed.

Cause:

There were several accounts where the current Board Treasurer was not listed as the authorized signers. There were also several outstanding checks related to the small business disaster loans that were not provided to the third party accountant to properly reflect the balance in cash and related loan receivable as of June 30, 2020. Additionally, cash reconciliations were not reviewed.

Effect:

Without adequate controls over cash accounts, Authority assets are susceptible to misappropriate either due to fraud or error.

(Continued)

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

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2020-001: Internal Control Over Cash (Significant Deficiency) (Continued)

Recommendation:

We recommend that a thorough inventory of authorized individuals be taken on all accounts to ensure that access only rests with the most appropriate individuals. We also recommend that checks that are issued are provided to the third party accountant so that the records can be appropriately updated. Additionally, we recommend that bank statements and reconciliations be reviewed on a timely basis.

Views of Responsible Officials and Planned Corrective Action

Management will implement auditor's recommendation.

C. FINDINGS - COMMONWEALTH OF VIRGINIA

2020-002: Conflicts of Interest

Condition:

During our testing of the conflicts of interest, there was one instance where one of the Board members did not complete and submit his disclosures for the two deadlines, February 2, 2020 and August 1, 2020. Also, there was another instance where one Board member filed her disclosures after the August 1, 2020 deadline.

Criteria:

The Authority should ensure that all Board members file their disclosure forms and ensure that the filings are timely.

Cause:

The lack of the filing was due to the Board member not turning in his disclosure forms. The late filing was due to the Board member not turning in their disclosure form on time.

Effect:

The Authority is not in compliance with the *Code of Virginia*.

Recommendation:

We recommend that the Authority put in necessary controls to ensure that all Board members file necessary disclosure forms and that forms are filed timely.

Views of Responsible Officials and Planned Corrective Action:

Management will implement auditor's recommendation.

(Continued)

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

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

D. STATUS OF PRIOR YEAR COMPLIANCE FINDINGS

2019-01: Internal Controls Over Cash (Significant Deficiency in Internal Controls)

Condition

During our audit procedures over cash, we noted the following:

- The former Treasurer is still listed as the authorized check signer on various accounts. We recommend that the current Treasurer be listed as the authorized check signer on all of the Authority's bank accounts. We also recommend that the former Treasurer be removed from all bank accounts as an authorized check signer;
- A cashier's check for \$223,176.48, resulting from the close-out of an account with Capital Bank, was unsecured for approximately five months before it was deposited with Atlantic Union Bank; and,
- There appeared to be an overall lack of understanding of individuals assigned as authorized signers on certain accounts which created difficulties during our confirmation procedures.

Recommendation:

We recommended that a thorough inventory of authorized individuals be taken on all accounts to ensure that access only rests with the most appropriate individuals. Additionally, we recommended that bank statements and reconciliations be performed and reviewed on a timely basis.

Current Status

This is still a finding in the current year; see 2020-01 above.

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

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

D. STATUS OF PRIOR YEAR COMPLIANCE FINDINGS (Continued)

2019-02: Agency Fund Activity (Significant Deficiency in Internal Controls)

Condition

During our testing of a sample of 20 CARE program payments, we noted a combination of the following issues over 5 of the payments:

- One instance where a customer was overpaid due to double-counting a receipt for reimbursement. We recommend that the total of the checks be compared to the support prior to signing the check and that payments be thoroughly reviewed to ensure the amounts are correct.
- Two instances where the amounts paid lacked supporting documentation. We recommend that all support used to calculate the reimbursement amount be obtained from customers and retained with the request for payment form.
- Two instances where the amounts reimbursed were incorrectly calculated due to human error and lack of effective review. We recommend that an excel file be created to assist in the calculation of the reimbursement. We also recommend that the calculations for reimbursement be appropriately reviewed to ensure the amounts are correct.
- One instance where the customer was overpaid. The reimbursement amount exceeded the program maximum limit. We recommend that a file be maintained for the remaining balance of each customer and updated and reviewed each time payments are processed in order to ensure that reimbursement amounts do not exceed the program limits.

Recommendation

We recommended that Authority design and implement processes and procedures over CARE program disbursements in such a way as to prevent miscalculation of disbursements.

Current Status:

Management has corrected this finding in the current year and no issues were noted.

SUPPLEMENTARY INFORMATION

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

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2020

	Agency Funds						
	CARE	CAP	RLP	EZIL	EDHLF	Agency Operations	Total
ASSETS							
Cash and cash equivalents	\$ 63,306	\$ 682,647	\$ 742,276	\$ 226,368	\$ 3,550,929	\$ 53,300	\$ 5,318,826
Receivables, net of allowance							
Notes	129,564	196,102	766,474	1,125	7,766,279	1,010	8,860,554
Interest	3,908	23,085	47,168	-	335,218	-	409,379
City of Richmond	-	-	-	-	-	4,404	4,404
Total assets	<u>\$ 196,778</u>	<u>\$ 901,834</u>	<u>\$ 1,555,918</u>	<u>\$ 227,493</u>	<u>\$ 11,652,426</u>	<u>\$ 58,714</u>	<u>\$ 14,593,163</u>
LIABILITIES							
Accounts payable	\$ -	\$ 850	\$ 34,231	\$ -	\$ 1,854	\$ 58,714	\$ 95,649
Due to the City of Richmond, Virginia	<u>196,778</u>	<u>900,984</u>	<u>1,521,687</u>	<u>227,493</u>	<u>11,650,572</u>	<u>-</u>	<u>14,497,514</u>
Total liabilities	<u>\$ 196,778</u>	<u>\$ 901,834</u>	<u>\$ 1,555,918</u>	<u>\$ 227,493</u>	<u>\$ 11,652,426</u>	<u>\$ 58,714</u>	<u>\$ 14,593,163</u>

See Independent Auditor's Report.

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

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS**
Year Ended June 30, 2020

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
CARE				
ASSETS				
Cash	\$ 360,284	\$ 11,789	\$ (308,767)	\$ 63,306
Notes receivable, net	137,099	-	(7,535)	129,564
Interest receivable	2,091	3,908	(2,091)	3,908
	<u>499,474</u>	<u>15,697</u>	<u>(318,393)</u>	<u>196,778</u>
Total assets	<u>\$ 499,474</u>	<u>\$ 15,697</u>	<u>\$ (318,393)</u>	<u>\$ 196,778</u>
LIABILITIES				
Accounts payable	\$ 1,050	-	(1,050)	-
Due to City of Richmond	498,424	15,697	(317,343)	196,778
	<u>\$ 499,474</u>	<u>\$ 15,697</u>	<u>\$ (318,393)</u>	<u>\$ 196,778</u>
CAP				
ASSETS				
Cash	\$ 810,267	-	(127,620)	\$ 682,647
Notes receivable, net	69,454	126,648	-	196,102
Interest receivable	16,946	23,085	(16,946)	23,085
	<u>\$ 896,667</u>	<u>\$ 149,733</u>	<u>\$ (144,566)</u>	<u>\$ 901,834</u>
Total assets	<u>\$ 896,667</u>	<u>\$ 149,733</u>	<u>\$ (144,566)</u>	<u>\$ 901,834</u>
LIABILITIES				
Accounts payable	\$ 750	100	-	\$ 850
Due to City of Richmond	895,917	149,633	(144,566)	900,984
	<u>\$ 896,667</u>	<u>\$ 149,733</u>	<u>\$ (144,566)</u>	<u>\$ 901,834</u>
RLP				
ASSETS				
Cash	\$ 1,180,437	-	(438,161)	\$ 742,276
Notes receivable, net	297,463	469,011	-	766,474
Interest receivable	32,623	47,168	(32,623)	47,168
	<u>\$ 1,510,523</u>	<u>\$ 516,179</u>	<u>\$ (470,784)</u>	<u>\$ 1,555,918</u>
Total assets	<u>\$ 1,510,523</u>	<u>\$ 516,179</u>	<u>\$ (470,784)</u>	<u>\$ 1,555,918</u>
LIABILITIES				
Accounts payable	\$ 1,450	34,231	(1,450)	\$ 34,231
Due to City of Richmond	1,509,073	481,948	(469,334)	1,521,687
	<u>\$ 1,510,523</u>	<u>\$ 516,179</u>	<u>\$ (470,784)</u>	<u>\$ 1,555,918</u>

See Independent Auditor's Report.

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

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS**
Year Ended June 30, 2020

(Continued)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
EZIL				
ASSETS				
Cash	\$ 223,176	\$ 3,192	\$ -	\$ 226,368
Notes receivable, net	1,125	-	-	1,125
	<u>\$ 224,301</u>	<u>\$ 3,192</u>	<u>\$ -</u>	<u>\$ 227,493</u>
LIABILITIES				
Due to City of Richmond	<u>\$ 224,301</u>	<u>\$ 3,192</u>	<u>\$ -</u>	<u>\$ 227,493</u>
EDHLF				
ASSETS				
Cash	\$ 6,588,121	\$ 398,583	\$ (3,435,775)	\$ 3,550,929
Notes receivable, net	4,729,263	3,037,016	-	7,766,279
Interest receivable	134,360	335,218	(134,360)	335,218
	<u>\$ 11,451,744</u>	<u>\$ 3,770,817</u>	<u>\$ (3,570,135)</u>	<u>\$ 11,652,426</u>
Total assets	<u>\$ 11,451,744</u>	<u>\$ 3,770,817</u>	<u>\$ (3,570,135)</u>	<u>\$ 11,652,426</u>
LIABILITIES				
Accounts payable	\$ 1,854	\$ -	\$ -	\$ 1,854
Due to City of Richmond	11,449,890	3,770,817	(3,570,135)	11,650,572
	<u>\$ 11,451,744</u>	<u>\$ 3,770,817</u>	<u>\$ (3,570,135)</u>	<u>\$ 11,652,426</u>
OPERATING				
ASSETS				
Cash	\$ 753	\$ 59,794	\$ (7,247)	\$ 53,300
Notes receivable, net	250	1,010	(250)	1,010
Due from City of Richmond	-	4,404	-	4,404
	<u>\$ 1,003</u>	<u>\$ 65,208</u>	<u>\$ (7,497)</u>	<u>\$ 58,714</u>
LIABILITIES				
Accounts payable	\$ 225	\$ 58,714	\$ (225)	\$ 58,714
Due to City of Richmond	778	6,494	(7,272)	-
	<u>\$ 1,003</u>	<u>\$ 65,208</u>	<u>\$ (7,497)</u>	<u>\$ 58,714</u>

See Independent Auditor's Report.

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

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS**
Year Ended June 30, 2020

(Continued)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 9,163,038	\$ 473,358	\$ (4,317,570)	\$ 5,318,826
Notes receivable, net	5,234,654	3,633,685	(7,785)	8,860,554
Interest receivable	186,020	409,379	(186,020)	409,379
Due from City of Richmond	-	4,404	-	4,404
	<u>-</u>	<u>4,404</u>	<u>-</u>	<u>4,404</u>
Total assets	<u>\$ 14,583,712</u>	<u>\$ 4,520,826</u>	<u>\$ (4,511,375)</u>	<u>\$ 14,593,163</u>
LIABILITIES				
Accounts payable	\$ 5,329	\$ 93,045	\$ (2,725)	\$ 95,649
Due to City of Richmond	14,578,383	4,427,781	(4,508,650)	14,497,514
	<u>14,578,383</u>	<u>4,427,781</u>	<u>(4,508,650)</u>	<u>14,497,514</u>
Total all agency funds	<u>\$ 14,583,712</u>	<u>\$ 4,520,826</u>	<u>\$ (4,511,375)</u>	<u>\$ 14,593,163</u>

See Independent Auditor's Report.