Virginia Commercial Space Flight Authority

Financial Statements as of and for the Year Ended
June 30, 2015, and Independent Auditors' Report

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DIXON HUGHES GOODMAN LLP

Virginia Commercial Space Flight Authority

Contents

	Page
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 9
Financial Statements	
Statement of Net Position	10
Statement of Revenue, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13 - 17
Compliance Section	
Independent Auditors' 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	18 - 19
Other Information	
Authority Officials	20

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Virginia Commercial Space Flight Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the ***Virginia Commercial Space Flight Authority*** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the ***Virginia Commercial Space Flight 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.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specification 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

DIXON HUGHES GOODMAN LLP

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the ***Virginia Commercial Space Flight Authority*** as of and for the year ended June 30, 2015, and the respective changes in financial position, and its 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 on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2015, on our consideration of the ***Virginia Commercial Space Flight 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Virginia Commercial Space Flight Authority's*** internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Newport News, Virginia
October 1, 2015

June 30, 2015

The management of the ***Virginia Commercial Space Flight Authority*** (Authority), offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the ***Virginia Commercial Space Flight Authority*** for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments,* which established new financial reporting requirements. As a related organization of the Commonwealth of Virginia, the Authority implemented these reporting requirements for its fiscal year ended June 30, 2003.

Summary of Organization and Business

The Virginia Commercial Space Flight Authority was established as a political subdivision of the Commonwealth of Virginia, by Chapter 758 of the 1995 Acts of Assembly. It operates as an independent entity in accordance with the provisions of the *Code of Virginia, Title 2.2, Chapter 22, Sections 2.2-2201 et.sequence* as amended. The Authority's legislated purpose is to (i) disseminate knowledge pertaining to scientific and technological research and development among public and private entities; (ii) promote Science, Technology, Engineering, and Math (STEM) education; and (iii) promote industrial and economic development through the development and promotion of the commercial space flight industry. A Board of Directors, composed of 9 members, manages the Authority.

The Authority is considered a component unit of the Commonwealth of Virginia. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements prepared by the Authority. The MD&A represents management's examination and analysis of the financial performance of the Authority. The financial statements of the Authority are presented using the accrual method of accounting.

The financial statements consist of the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, the Statement of Cash Flows and Notes to the Financial Statements. The following analysis discusses elements from these statements, as well as on overview of the Authority's activities.

Statement of Net Position

The Statement of Net Position presents the Authority's Assets, Liabilities and Net Position as of the end of the fiscal year. The purpose of this statement is to present readers a fiscal snapshot at June 30, 2015. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the Authority's operations. They are also able to determine how much the Authority owes vendors and creditors.

	2015	2014	Change
Assets:			
Current assets	$ 12,762,341	$ 6,678,088	$ 6,084,253
Capital assets, net of accumulated depreciation	112,691,342	117,335,285	(4,643,943)
Total assets	$ 125,453,683	$ 124,013,373	$ 1,440,310
Liabilities:			
Total current liabilities	$ 7,208,536	$ 3,803,474	$ 3,405,062
Total long-term liabilities	-	5,000,000	(5,000,000)
Total liabilities	$ 7,208,536	$ 8,803,474	$ (1,594,938)
Net Position:			
Invested in capital assets	$ 112,691,342	$ 117,335,286	$ (4,643,944)
Unrestricted	5,553,805	(2,125,387)	7,679,192
Total net position	$ 118,245,147	$ 115,209,899	$ 3,035,248

The increase in current assets of $6,084,253 is primarily associated with a decrease in cash of $3,602,496 off-set by an increase in accounts receivable of $1,692,255 and an increase in amounts due to/from the Authority's fiscal and administrative agent, Old Dominion University Research Foundation of $8,036,652. Other current assets consisting of prepaid insurance costs, security deposits on leased property and other miscellaneous items decreased $42,158. The decrease in capital assets of $4,643,943 is the result of investments in additional software licenses, workspace, storage, automobiles, and a Skytrak forklift offset by depreciation expense of $4,778,436 charged against operations for the fiscal year.

The increase in current liabilities of $3,405,062 is primarily associated with an increase in accounts payable of $3,676,780, and an increase in unearned revenue of $964,476, offset by a decrease in due to/from Old Dominion University Research Foundation that is discussed with current assets above. The decrease in long-term liabilities of $5,000,000 is due to the conversion of a long-term debt obligation with the Commonwealth of Virginia through a Transportation Partnership Opportunity Fund Loan related to Pad 0A infrastructure development, to a grant.

The increase in unrestricted net position is a result of the change in net position for the fiscal year exclusive of depreciation charges less further investment in capital assets during the period.

For more detailed information see the accompanying Statement of Net Position.

Statement of Revenue, Expenses and Changes in Net Position

The Statement of Revenue, Expenses and Changes in Net Position presents a summary of revenue and expense activity which resulted in the change from beginning to ending net position. The purpose of this statement is to present the Authority's operating and nonoperating revenue recognized and expenses incurred and any other revenue, expenses, gains and losses.

Operating revenue and expenses generally represent the activity associated with rocket launch activities and cost of overall administration of the Authority and depreciation of its capital assets. Nonoperating revenue and expenses generally relate to funds received from Commonwealth of Virginia appropriations and grants and federal and private agreements associated with the development or repair of space launch capabilities at the Mid-Atlantic Regional Spaceport, Wallops Flight Facility located on the Eastern Shore of Virginia.

The following schedule compares the revenue, expenses and net assets for the current and previous fiscal year.

	2015	2014	Change
Total operating revenue	$ 10,707,382	$ 16,113,089	$ (5,405,707)
Total operating expenses	24,733,901	27,405,169	(2,671,268)
Net operating loss	(14,026,519)	(11,292,080)	(2,734,439)
Net nonoperating revenue	17,061,767	11,870,989	5,190,778
Capital contributions	-	10,000,000	(10,000,000)
Net income	3,035,248	10,578,909	(7,543,661)
Total net position - beginning of year	115,209,899	104,630,990	10,578,909
Total net position - end of year	$ 118,245,147	$ 115,209,899	$ 3,035,248

The decrease in operating revenue of $5,405,707 is due to a reduction in operational activity at Pad 0A as further discussed under Significant Events and a reduction in government launch activity at Pad 0B after multiple launches during fiscal year 2014. Operating expenses decreased $2,671,268 as subcontracted services and personnel efforts decreased in functions associated with operations.

The increase in net nonoperating revenue of $5,190,778 is due to an increase in the Commonwealth of Virginia Appropriation, increases in Federal contracts and private agreements related to the repair of Pad 0A as further discussed in Significant Events and a $5,000,000 debt that was converted to a grant from the Commonwealth of Virginia in FY2015. The revenue increases were offset by an increase in nonoperating expenses related to the repair of Pad 0A.

Capital contributions represent the payment for the purchase of certain Launch Pad 0A assets by the Commonwealth of Virginia, on behalf of The Authority, from Orbital Sciences Corporation in accordance with the Second Memorandum of Understanding by and among the Authority, the Commonwealth of Virginia and Orbital Sciences Corporation executed in September 2012 and the Settlement Agreement and Mutual Release of Claims by and between Orbital Sciences Corporation, the Commonwealth of Virginia and the Authority executed in January 2014. The purchased assets were capitalized in FY2014 and are reflected in the accompanying Statement of Net Position.

For more detailed information see the accompanying Statement of Revenue, Expenses and Changes in Net Position.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in assessment of the Authority's ability to generate cash to meet present and future obligations and detailed information reflecting the Authority's sources and uses of cash during the fiscal year. Cash flows from operating activities reflect the uses to support the essential mission and administration of the Authority. The primary sources are from launch fees and launch support activities. The primary uses are payments to personnel, including salaries, wages, and fringe benefits, payments to suppliers and subcontractors. Cash flows from noncapital financing activities reflect the nonoperating sources and uses of cash. The primary source is $15,800,000 from the Commonwealth of Virginia appropriation with an additional source from private agreements related to the repair of Pad 0A. The primary uses are to support cash requirements of operations and to repair Pad 0A as further discussed in Significant Events. The primary uses of cash flows from capital financing activities were for investment in capital assets.

	2015	2014	Change
Cash flows from operating activities	$ (18,910,513)	$ (6,746,698)	$ (12,163,815)
Cash flows from noncapital financing activities	15,442,510	11,720,370	3,722,140
Cash flows from capital financing activities	(134,493)	(555,011)	420,518
Net change in cash and cash equivalents	$ (3,602,496)	$ 4,418,661	$ (8,021,157)

Capital Assets and Long-Term Debt

The Authority's capital assets consist primarily of Launch Pad 0A and Launch Pad 0B at the Mid-Atlantic Regional Spaceport, Wallops Flight Facility on the Eastern Shore of Virginia and related support machinery and equipment.

During FY2015, the Authority's one long-term debt obligation was with the Commonwealth of Virginia through a Transportation Partnership Opportunity Fund Loan related to the construction of Pad 0A, but this loan was converted to a grant.

Significant Events

The Virginia Commercial Space Flight Authority (VCSFA or Virginia Space), owns and operates the Mid-Atlantic Regional Spaceport (MARS) located on the NASA Wallops Flight Facility (WFF) at Wallops Island, Virginia. Virginia Space is permitted to use the land for MARS and does business with NASA through a regularly renewed Space Act Agreement. MARS is only one of four spaceports in the United States licensed by the FAA Commercial Space Transportation Office to launch to orbit allowing it to compete for the small-to-medium class launch vehicle market providing access to the Earth's orbit and interplanetary missions.

MARS operates two pads: Pad 0A, a Medium Class Launch Facility (MCLF) comprised of a state of the art cryogenic liquid fuel facility with a computer controlled commodities system, fortified launch mount, robust electrical and environmental control systems, and gravity fed fresh water deluge system; and Pad 0B, a Small Class Launch Facility (SCLF) comprised of a launch stool, moveable service structure, and environmental control system. Pad 0A currently hosts the Orbital ATK Antares launch vehicle under contract to deliver cargo to the International Space Station (ISS), with potential for significant other NASA and DoD payload business. Pad 0B has hosted primarily Orbital ATK Minotaur class launch vehicles and is capable of considerable reconfiguration to host nearly any existing small class launch vehicle on the market. Missions launched from Pad 0B include multiple DoD Operationally Responsive Space (ORS) missions, and the NASA LADEE (Lunar Atmosphere and Dust Environment Explorer) mission to the Moon, the first lunar mission to launch from Virginia. In December 2014 Virginia Space was awarded MARS III, a five year indefinite delivery indefinite quantity contract with a maximum ordering value of $53.9M. This NASA contract may be utilized by federal agencies desiring launch services from either Pad 0A or Pad 0B.

On 28 October 2014 at 6:22 p.m. Eastern Time, Virginia Space launched NASA mission Orb-3 to the ISS. Shortly after lift-off, the launch vehicle experienced a catastrophic failure. No injuries occurred. MARS personnel conducted an in-depth engineering assessment to determine a detailed cost estimate for facility repairs and develop a comprehensive repair plan. Pad 0A launch complex did sustain damage to infrastructure, however the Launch Pad, Liquid Fuel Facility (LFF) and Water Tower, escaped severe damage and Pad 0B was unaffected. Subsequently, Virginia Space worked in conjunction with its partners, NASA and Orbital Sciences to recover from the mishap. Virginia Space focused on repair efforts the remainder of the year to include cleanup, supporting the mishap investigation, environmental clean up, resourcing funding for repairs, contract renegotiation with Orbital ATK, and discussion with Federal Congressional staffs to update legislation that would protect state spaceports from loss in the event of another government launch mishap. Return to flight is expected first quarter of CY 2016.

Orbital Sciences took the lead in the investigation, per direction from the Federal Aviation Administration (FAA) Office of Commercial Space Transportation (AST), and formed a permanent Accident Investigation Board (AIB) comprised of Orbital Sciences company officials and representatives from NASA and the National Transportation Safety Board (NTSB). Orbital Sciences appointed their Senior Vice President and Chief Engineer of the company's Advanced Programs Group, a highly experienced engineer well-versed in launch vehicle engineering and operations, to serve as the permanent chairman of the AIB. The FAA AST oversaw this process. Final results of the AIB are pending public release by Orbital ATK but are expected at any time.

Final Orb-3 Environmental Remediation Report was sent from Virginia Space to the Virginia Department of Environmental Quality (VDEQ) on March 31, 2015. The 86-page report identified no environmental violations and called for the monitoring of key locations around the impact crater over time to ensure a clean environment. From a capital risk and indemnification perspective, Virginia Space continues work to update Commercial Space Launch Act (CSLA) and FAA AST language to provide relief to state spaceports in the event of a similar mishap and thus encourage continuing commercial space investment by the states and increased launch activity in the future.

As a point of relevant history, the first customer to launch from Pad 0A was Orbital Sciences Corporation, 'Orbital,' based in northern Virginia. Orbital won a $1.9 billion Commercial Resupply Services (CRS) NASA contract to deliver up to 44,000 pounds (20,000 kilograms) of cargo to the International Space Station (ISS) over eight missions through late 2016. A recent extension of the CRS contract added 2 missions and possibly more missions are anticipated. NASA also announced that a formal "Request-For-Proposal" for a follow-on contract (CRS-2) extending cargo resupply services potentially through 2024 for which Orbital is competitive. Award announcement is expected in the next several months. Orbital is using their new Antares launch vehicle and Cygnus spacecraft to accomplish these missions. Antares is currently launching exclusively from Pad 0A. For these missions, NASA manifests a variety of essential items based on the ISS program needs, including food, clothing, crew supplies, spare parts and equipment, and scientific experiments.

On January 27, 2015, Orbital Sciences Corporation announced that a special meeting was held of the company's stockholders, who voted overwhelmingly to approve a proposed merger with Alliant Techsystems, Inc. (ATK), pursuant to the definitive transaction agreement dated April 28, 2014. The merger was unconditionally cleared by the U.S. Department of Justice on December 4, 2014, and the merger closed on February 9, 2015. The new corporation was named Orbital ATK, valued at $5.2B, and headquartered in northern Virginia.

Orbital ATK's Antares program remains on schedule to commence flight operations from NASA's Wallops Flight Facility in early CY 2016. Following the completion of certification and acceptance testing of the RD-181, the first dual-engine ship-set arrived at the Antares integration facilities at Wallops Island in mid-July. The RD-181 engine provides extra thrust and higher specific impulse, significantly increasing the payload capacity of the Antares rocket. This state-of-the-art propulsion system is a direct adaptation of the RD-191 engine, which completed an extensive qualification and certification program in 2013, accumulating more than 37,000 seconds of total run time. Antares program engineers and technicians recently integrated the two RD-181 engines with a newly designed and built thrust frame adapter and modified first stage airframe.

Orbital ATK plans to conduct a "hot fire" test on the launch pad late CY2015 or in early CY2016 to verify the vehicle's operational performance and compatibility of the MARS launch complex. With the delivery of the first set of flight engines now accomplished, and the second ship-set expected to arrive in the fall, Antares remains solidly on track to resume flights early in CY 2016. In fact, all the hardware for the next Antares vehicle will soon be at the Wallops final assembly facility, with equipment for several additional rockets following a few months later.

The industry and public awareness of the increased investment and operations tempo at the Virginia Space MARS facility continues to stimulate interest by companies seeking to expand their space access business to orbits best served from Wallops as it did in FY2014. The interest continues to span both the solid and liquid fueled launch vehicle providers servicing the satellite and human-space related flight markets. The government market for launch of satellites to mid-inclination orbits served by the MARS facilities continues to grow. Customers, federal congressional members, and Commonwealth of Virginia General Assembly members who have attended site visits of MARS continue to express confidence in the leadership, facilities, personnel and overall direction of Virginia Space.

Along with the Orbital ATK business, Virginia Space has conducted extensive business development efforts to diversify its customer portfolio thereby solidifying its business base. These efforts have included potential government customers and private companies. Along with space launch, Virginia Space has advanced its mission set with the addition of Unmanned Aircraft Systems (UAS) in its portfolio. The Commonwealth allocated $5.8M for Virginia Space to construct and operate a new UAS Runway on the north end of NASA Wallops Island. Construction is expected to begin the first quarter of CY 2016. NASA has confirmed that the FAA has no jurisdiction over operations from the UAS Runway, which clears Virginia Space to conduct flight operations in close coordination with NASA Range. Virginia Space is coordinating with NASA Wallops Flight Facility (WFF), Wallops Research Park (WRP), and Virginia Economic Development Partnership (VEDP) to develop a business strategy to include discussions about who will serve as “technical concierge” for overall operation, development of a Value Proposition with which VEDP will capture customers, Safety Certification of customers to fly from the UAS Runway, and operations within the airspace.

Virginia Space has continued to mature with its external relations this past year at both the Federal and State level, as well as with Science, Technology, Engineering, and Mathematics (STEM) education support, and marketing. To encourage STEM education, Virginia Space developed and fielded a new Internship Program in FY 2014 and continued this successful program into FY2015. After a rigorous and very selective competition, two engineers and two technicians served their summer internship at MARS the summer of 2015. The interns attended a thorough indoctrination to the space career field with emphasis on launch. Interns were assigned a mentor that provided on-the-job training (OJT) and guided them through detailed capstone projects. These capstone projects were used to demonstrate the substantial work that the interns accomplished, their contributions to MARS, and experience they received during their program.

In focused Commonwealth General Assembly activities, the Board Chairman, Executive Director, Deputy Executive Director, and HQ Office Program Manager attended meetings with key legislators during “AeroSpace Days” in Richmond on February 4 and 5, 2015. Office visits included Chairs and Members of the Senate Finance and House Appropriations Committees, as well as Senate Majority Leader Norment, House Majority Leader Cox, and representatives. The Executive Director was called to testify before the Senate Finance Transportation Subcommittee to update progress at MARS and the UAS Runway. Virginia Space messaging for Aerospace Days supported the current $15.8M budget allocation to Virginia Space, legislation that provides sustainable funding, updated status of Pad 0A repairs and modifications for Antares return to flight, status of the Space Act Agreement between NASA and Virginia Space for the UAS Runway, and educational activities, i.e., Summer Internship Program, sponsoring related programs, etc. Virginia Space also participated in professional organizations and events to include the National Space Symposium, AIAA (American Institute of Aeronautics and Astronautics), AAS (American Astronautical Society), and Commercial Spaceflight Federation (CSF). Overall, external relations in FY2015 have enhanced Virginia Space’s influence in the Commonwealth General Assembly, halls of Congress in Washington DC, and put it on the map as a very desirable location for college internships and careers.

Virginia continues to play a key role in National security and assured access to space, as one of only four states in the United States licensed by the FAA to launch spacecraft into orbit or on interplanetary trajectories. MARS is only one of two locations that provide cargo resupply services to the ISS. MARS is also only one of three locations that currently provide Operationally Responsive Space (ORS) support for DoD. With the significance of these important National missions, Virginia Space Executive Staff along with the Commonwealth of Virginia leaders and the Congressional Delegation continue to pursue increases in funding from the both the Commonwealth and the Federal Government to adequately fund launch facility improvements at NASA Wallops and MARS and maintain the newly developed launch capabilities as well as our Nation's assured access to space.

Contacting the Authority's Financial Management

This financial report is designed to provide our users with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Virginia Commercial Space Flight Authority, 4111 Monarch Way, Suite 303, Norfolk, Virginia 23508-2559.

Virginia Commercial Space Flight Authority

Statement of Net Position

June 30, 2015

Assets	
Current assets	
Cash (Note 2)	$ 1,737,019
Accounts receivable	2,843,461
Due from Old Dominion University Research Foundation (Note 4)	8,036,652
Other current assets	145,209
Total current assets	12,762,341
Depreciable capital assets - net accumulated depreciation (Note 3)	
Launch pad facilities	120,319,443
Machinery and equipment	1,762,366
Land improvements	175,000
Computer equipment	136,718
Office furniture	23,666
	122,417,193
Less - accumulated depreciation	(9,725,851)
	112,691,342
	$ 125,453,683
Liabilities and Net Position	
Current liabilities	
Accounts payable and accrued expenses	$ 4,309,194
Unearned revenue	2,899,342
Total current liabilities	7,208,536
Net position	
Net investment in capital assets	112,691,342
Unrestricted	5,553,805
Total net position	118,245,147
	$ 125,453,683

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

Virginia Commercial Space Flight Authority

Statement of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2015

Operating revenue	
Launch support revenue - private	$ 8,307,382
Commercial launch fees	2,400,000
Total operating revenue	10,707,382
Operating expenses	
Subcontract services	14,670,588
Administration	4,886,953
Depreciation	4,778,436
Other	397,924
Total operating expenses	24,733,901
Net operating loss	(14,026,519)
Nonoperating revenue (expenses)	
State appropriation	15,800,000
State grants	5,000,000
Private contracts	2,025,691
Federal contracts	1,251,805
Expenses related to grants and contracts	(7,015,729)
Total nonoperating revenue	17,061,767
Change in net position	3,035,248
Net position - beginning of year	115,209,899
Net position - end of year	$ 118,245,147

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

Virginia Commercial Space Flight Authority

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities	
Cash received from customers	$ 9,673,358
Cash paid to employees	(3,801,785)
Cash paid to suppliers	(24,782,086)
Net cash from operating activities	(18,910,513)
Cash flows from noncapital financing activities	
Cash received from state appropriation	15,800,000
Cash received from private contracts	3,583,741
Cash paid to employees on nonoperating projects	(576,287)
Cash payments for grants and contracts	(3,364,944)
Net cash from noncapital financing activities	15,442,510
Cash flows from capital financing activities	
Investment in capital assets	(134,493)
Net change in cash	(3,602,496)
Cash - beginning of year	5,339,515
Cash - end of year	$ 1,737,019
Reconciliation of net operating loss to net cash from operating activities:	
Net operating loss	$ (14,026,519)
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation	4,778,436
Changes in assets and liabilities:	
Decrease in accounts receivable	593,853
Decrease in other current assets	42,158
Increase in accounts payable and accrued expenses	996,549
Decrease in unearned revenue	(1,627,877)
Net change in Due to/from Old Dominion University Research Foundation	(9,667,113)
Net cash from operating activities	$ (18,910,513)

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

June 30, 2015

1. Organization and Nature of Activities

Virginia Commercial Space Flight Authority (Authority) was established as a political subdivision of the Commonwealth of Virginia, by Chapter 758 of the 1995 Acts of Assembly. It operates as an independent entity in accordance with the provisions of the *Code of Virginia, Title 2.2, Chapter 22, Sections 2.2-2201 et.sequence* as amended. The Authority's legislated purpose is to (i) disseminate knowledge pertaining to scientific and technological research and development among public and private entities; (ii) promote Science, Technology, Engineering, and Math (STEM) education; and (iii) promote industrial and economic development through the development and promotion of the commercial space flight industry. A Board of Directors, composed of 9 members, manages the Authority.

The Authority is considered a component unit of the Commonwealth of Virginia (Commonwealth). A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority.

2. Summary of Significant Accounting Policies

Financial Reporting Entity

The activities of the Authority are accounted for in an enterprise fund. The enterprise fund is used to account for governmental operations that are financed and operated in a manner similar to private business enterprises. Enterprise fund accounting is used where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis, including depreciation, be financed or recovered primarily through user charges. All fund accounts of the Authority are presented in total on the financial statements.

Basis of Accounting

The Authority's records are maintained on the accrual basis whereby revenue is recognized when earned and expenses are recognized when the liability is incurred. The Authority's accounting policies conform with generally accepted accounting principles as prescribed by the GASB, including all applicable GASB pronouncements, as well as applicable FASB statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has the option to apply FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Authority has elected not to apply FASB pronouncements issued after the applicable date.

Credit Risk and Concentration

At June 30, 2015, cash balances of $1,737,019 were held by the Old Dominion University Research Foundation (Research Foundation). The Research Foundation maintains its cash balances in depository accounts at financial institutions with deposits insured by the Federal Deposit Insurance Corporation.

One commercial customer has contracted with the Authority for launch pad facilities and operations support at Pad 0A.

Accounts Receivable and Allowance for Doubtful Accounts

Receivables include amounts due from contracts and grants for reimbursable expenditures in excess of revenue at year-end. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenue net of uncollectibles, if any. Allowances are reported when accounts are proven to be uncollectible. At June 30, 2015, management believes all accounts receivable are fully collectible; therefore, there was no allowance for doubtful accounts.

Unearned Revenue

Unearned revenue includes amounts billed under private contracts in anticipation of launch support for progress payments that occurred subsequent to year-end, and unspent funds provided by Orbital ATK for Pad 0A repair in accordance with Modification #1 to the Launch Site Access and Operations Support Agreement.

Classification of Revenue and Expenses

The Authority presents its revenue and expenses as operating or non-operating based on the following criteria:

Operating revenue and expenses generally represent the launch fees and launch support revenue received under government and private contracts and the cost of the overall administration of the Authority and the depreciation of its capital assets. Non-operating revenue and expenses generally relate to funds received from private, state and federal cooperative agreements associated with the development of space launch capabilities and return to flight through Pad 0A rebuild activities.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 1, 2015, the date the financial statements were available to be issued.

3. Capital Assets

The schedule below shows the breakdown of capital assets by category:

	Balance July 1, 2014	Acquired Increased	Deleted (Decreased)	Balance June 30, 2015
Depreciable capital assets:				
Launch pad facilities	$ 120,319,443	$ -	$ -	$ 120,319,443
Machinery and equipment	1,649,153	113,213	-	1,762,366
Land improvements	175,000	-	-	175,000
Computer equipment	124,678	12,040	-	136,718
Office furniture	14,426	9,240	-	23,666
Total depreciable assets	122,282,700	134,493	-	122,417,193
Less – accumulated depreciation				
Launch pad facilities	4,568,381	4,599,128	-	9,167,509
Machinery and equipment	182,528	149,944	-	332,472
Land improvements	149,439	3,333	-	152,772
Computer equipment	32,642	25,921	-	58,563
Office furniture	14,425	110	-	14,535
Total depreciation	4,947,415	4,778,436	-	9,725,851
Capital assets - net	$ 117,335,285	$ (4,643,943)	$ -	$ 112,691,342

Capital assets are generally defined by the Authority as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Property, plant, and equipment of the Authority are stated at cost and at the time of acquisition are set up in a comprehensive fixed asset system. Depreciation of the cost of property, plant, and equipment is provided on a straight line basis over their estimated useful lives as follows:

	Years
Launch pad facilities	7 - 25
Machinery and equipment	4 - 15
Land improvements	15
Computer equipment	5
Office furniture	5 - 7

4. Due to / from Old Dominion University Research Foundation

As discussed at Note 2, the Research Foundation serves as the Authority's fiscal agent and holds the Authority's cash in a commingled account with Research Foundation cash. The Authority has advanced funds to the Research Foundation of $8,036,652 as of June 30, 2015. The Research Foundation has short-term investments available to refund these advances and will do so as cash is needed by the Authority. The Authority paid the Research Foundation $73,400 for its services as fiscal agent in 2015, which is included in administration expenses on the statement of revenue, expenses and changes in net position.

5. Long-term Debt

In March 2013, the Authority entered into a long-term debt agreement with the Virginia Department of Transportation for an interest-free note in an amount not to exceed $5,000,000. At June 30, 2014, the Authority had received $5,000,000 under the note. During 2014, the Commonwealth of Virginia instructed the Authority not to make repayments on the loan as it was the Commonwealth's intent to convert the loan into a grant. In February 2014, the Authority submitted a written request to the Commonwealth for the note conversion and the request was formally approved by the Commonwealth on March 6, 2015. As of June 30, 2015, there is no outstanding long-term debt.

Long-term debt activity during 2015 was as follows:

Long-term debt – July 1, 2014	$	5,000,000
Note conversion to state grant revenue – March 2015		(5,000,000)
Long-term debt – June 30, 2015	$	-

6. Retirement and Pension Systems

Authority employees receive a fixed contribution of 11 percent of their base salary, which is invested through an Authority sponsored 401(a) Plan. Total Authority contributions to the Plan for 2015 were $317,791, of which $277,878 is included in administration operating expense and $39,913 is included in nonoperating expenses related to grants and contracts on the statement of revenue, expenses and changes in net position.

7. Commitments

At June 30, 2015, the Authority occupied office space and warehouse space under various lease agreements with initial periods ranging from three to six years through fiscal year 2020.

Estimated future lease commitments for these leases are expected to be as follows:

2016	$	108,196
2017		71,746
2018		71,746
2019		60,221
2020		1,081
	$	312,990

Total rent expense for 2015 was $234,851 and is included in administration expense on the statement of revenue, expenses and changes in net position.

At June 30, 2015, the Authority has contractual commitments of approximately $11 million for work remaining to be performed under outstanding contracts, approximately $9.2 million of which will be reimbursable under separate private and federal contract agreements.

8. Virginia Local Government Risk Management Plan

The Authority is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The employees, directors, and agents of the Authority were insured for these risks under a self-insured liability plan, VaRISK 2, administered by the Commonwealth of Virginia's Department of Treasury, Division of Risk Management with liability limits of $1,000,000 for each occurrence. In addition to the coverage provided by VaRISK 2, the Authority has General Liability coverage through a commercial policy issued by XL Specialty Insurance Company of Exton, PA in the amount of $10,000,000. The Authority maintains its own insurance coverage for health and workers compensation; there is no self-insurance.

Orbital Sciences Corporation (Orbital) has also agreed to maintain insurance in amounts set forth in the Federal Aviation Administration (FAA) launch license to cover loss of or damage to U.S. Government and Commonwealth of Virginia facilities or property (including Authority facilities) that arises from licensed launch activities. This insurance includes $50 million minimum coverage for loss or damage arising from licensed launch activities as defined under applicable FAA regulations. The Authority is listed as an additional insured party on such insurance. In addition, Orbital, at no cost to the Authority, has obtained insurance with $10 million minimum coverage for damage to Commonwealth of Virginia facilities and property (including Authority facilities), which loss or damage arises directly from Orbital's performance under the Launch Site Access and Operations Support Agreement, but does not arise from licensed launch activities as defined under applicable FAA regulations. The Authority is also listed as an additional insured party on such insurance.

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Virginia Commercial Space Flight Authority

Compliance Section

June 30, 2015

DIXON HUGHES GOODMAN LLP

INDEPENDENT AUDITORS' 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

Board of Directors
Virginia Commercial Space Flight Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the ***Virginia Commercial Space Flight Authority*** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise ***Virginia Commercial Space Flight Authority's*** basic financial statements, and have issued our report thereon dated October 1, 2015.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the ***Virginia Commercial Space Flight Authority's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ***Virginia Commercial Space Flight Authority's*** internal control. Accordingly, we do not express an opinion on the effectiveness of the ***Virginia Commercial Space Flight Authority's*** internal control.

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

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

DIXON HUGHES GOODMAN LLP

Compliance and Other Matters

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

Purpose of this Report

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

Dixon Hughes Goodman LLP

Newport News, Virginia
October 1, 2015

Virginia Commercial Space Flight Authority

Other Information

June 30, 2015

Virginia Commercial Space Flight Authority
Norfolk, Virginia

Authority Officials

Board Members

(through fiscal year ended June 30, 2015)

William Readdy, Chairman

John Broderick	Randall Burdette
John Jester	J. Jack Kennedy
Aubrey Layne	Bittle Porterfield
Kay Sears	A. Thomas Young

Dale Nash, Executive Director