Economic Development Authority of the City of Richmond
Special Called Meeting Notice – Wednesday, October 12, 2022

WHAT: The City of Richmond's Economic Development Authority will hold a **Special Called Board Meeting**

WHEN: Wednesday, October 12, 2022 at 9:00 AM

WHERE: Main Street Station, 1500 East Main Street, 3rd Floor Conference Room

For more information about The City of Richmond's Economic Development Authority (EDA),
Visit: http://www.rvaeda.org/

ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF RICHMOND

Special Called Meeting

Board Agenda

October 12, 2022, 9:00 AM

I. Call to Order

II. Public Meeting Disclosure

III. Public Comment (5 minutes)

IV. FY2022 Draft Financial Audit Report

V. Adjournment

Report to the
Board of Directors
and Management

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA

June 30, 2022

BROWN EDWARDS
certified public accountants

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CONTACTS

Leslie F. Roberts, CPA
Partner
Brown, Edwards & Company, L.L.P.
701 Town Center Drive, Suite 700
Newport News, VA 23606
757-316-3220
lroberts@BEcpas.com

Danielle A. Nikolaisen, CPA
Director
Brown, Edwards & Company, L.L.P.
701 Town Center Drive, Suite 700
Newport News, VA 23606
757-316-3204
804-518-2370
dnikolaisen@BEcpas.com

Christy M. Turner, CPA
Manager
Brown, Edwards & Company, L.L.P.
701 Town Center Drive, Suite 700
Newport News, VA 23606
757-316-3208
804-518-2373
cturner@BEcpas.com

BROWNEDWARDS
certified public accountants

REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Economic Development Authority of the City of Richmond, Virginia, collectively hereafter referred to as the Authority for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Governmental Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 10, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. As described in Note 2, 6, and 8 to the financial statements, the Economic Development Authority of the City of Richmond, Virginia, adopted a new accounting standard for 2022: GASB Statement No. 87*, Leases*. We are in agreement with the effects of this implementation as presented in the financial statements and the additional related disclosures are complete and accurate. Otherwise, the application of existing policies was not changed during 2022. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

- The useful lives of capital assets are based on management's knowledge and judgment, which is based on historical usage.

- The allowance for loan losses on loan program receivable are based on an analysis of risk assessments of credit risk of individual borrowers.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements as a whole.

Significant Audit Matters (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of commitments and contingencies in Note 9 and the related party transactions disclosures in Note 12 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements and management has corrected certain other misstatements detected as a result of audit procedures as summarized in the attached journal entries (Appendix B).

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter included in Appendix A.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Economic Development Authority of the City of Richmond, Virginia's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Economic Development Authority of the City of Richmond, Virginia's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis as listed in the Table of Contents, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Economic Development Authority of the City of Richmond, Virginia and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
ENTER DATE

INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and the major funds of the Economic Development Authority of the City of Richmond, Virginia (the Authority) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in circumstances for the purpose of expressing our opinions on the financial statements and to comply with any other applicable standards, such as *Government Auditing Standards*, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.

If material weaknesses or significant deficiencies were identified during our procedures they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included 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*** which should be read in conjunction with this report.

Additionally, during our audit, we may have become aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are also included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detail review of all systems and procedures, these comments should not be considered as being all-inclusive of areas where improvements might be achieved. We also have included information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that our suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Economic Development Authority of the City of Richmond, Virginia, management, and the appropriate state and federal regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
ENTER DATE

COMMENTS ON INTERNAL CONTROL FOR YOUR CONSIDERATION

JOURNAL ENTRIES

During our testing of journal entries, we noted that two out of the total five entries tested were missing evidence of review and approval. We recommend that the Authority ensure that all entries are reviewed and approved by someone other than the preparer and that evidence of review be retained.

LOAN FUND INTERFUND BALANCES

During our preparation of posting eliminating entries for the Major Loan Fund, we noted that there were instances where a payable or receivable was recorded on one fund, but the corresponding receivable or payable was missing on the other fund. We also noted instances where balances were reflected as a payable or receivable on one fund but reflected as a deposit in transit or outstanding check on the other fund. We recommend that all inter-fund payables and receivables and cash receipts and payments in the Major Loan Fund are reconciled at year end to ensure that related balances are accurate at year end.

PROCUREMENT POLICY

During our testing over the Authority's procurement policy, we noted that the policy only covered small purchases. The current policy did not cover the use of competitive negotiation, competitive sealed bids, or sole source provider. We recommend that the Authority consider expanding the procurement policy to cover the use of competitive negotiation, competitive sealed bids, and sole source provider. We also recommend that the Authority implement a formal policy to document the evaluation and selection of vendors and file and retain such documentation.

ACCOUNTING AND OTHER MATTERS

NEW GASB PRONOUNCEMENTS
June 30, 2022

In this section, we would like to make you aware of certain confirmed and potential changes that are on the horizon that may affect your financial reporting and audit. The effective dates below are updated based on **Statement No. 95**, ***Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

The GASB issued ***Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*** in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancellable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term.

This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

ACCOUNTING AND OTHER MATTERS

NEW GASB PRONOUNCEMENTS
June 30, 2022

The GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements*** in May 2020**.** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

NEW GASB PRONOUNCEMENTS
June 30, 2022

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

ACCOUNTING AND OTHER MATTERS

CURRENT GASB PROJECTS
June 30, 2022

GASB currently has a variety of projects in process. Some of these projects discussed below.

Conceptual Framework – Recognition. The project's objective is to develop recognition criteria for *whether* information should be reported in state and local governmental financial statements and *when* that information should be reported. This project ultimately will lead to a Concepts Statement on recognition of elements of financial statements. This project is currently in exposure draft re-deliberations period.

Conceptual Framework – Disclosure. The project's objective is to develop concepts related to a framework for the development and evaluation of notes to financial statements for the purpose of improving the effectiveness of note disclosures in government financial reports. The framework will establish criteria for the Board to use in evaluating potential note disclosure requirements during future standards-setting activities and in reexamining existing note disclosure requirements. Those concepts also will provide governments a basis for considering the essentiality of information items for which the GASB does not specifically provide authoritative disclosure guidance. This project is currently in exposure draft comment period.

Financial Reporting Model. The objective of this project is to make improvements to the financial reporting model, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other reporting model-related pronouncements (Statements No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and No. 46, *Net Assets Restricted by Enabling Legislation, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*). The objective of these improvements would be to enhance the effectiveness of the model in providing information that is essential for decision-making and enhance the ability to assess a government's accounting and address certain application issues, based upon the results of the pre-agenda research on the financial reporting model. This project is currently in exposure draft re-deliberations period.

Revenue and Expense Recognition. The objective of this project is to develop a comprehensive application model for the classification, recognition, and measurement of revenues and expenses. The purpose for developing a comprehensive model is (1) to improve the information regarding revenues and expenses that users need to make decisions and assess accountability, (2) to provide guidance regarding exchange and exchange-like transactions that have not been specifically addressed, (3) to evaluate revenue and expense recognition in the context of the conceptual framework, and (4) to address application issues identified in practice, based upon the results of the pre-agenda research on revenue for exchange and exchange-like transactions. This project is currently in the preliminary views re-deliberations period.

Appendix A

Management Representation Letter

To the Board of Directors and Management of
Economic Development Authority of the City of Richmond, Virginia

Appendix B
Adjusting Journal Entries

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA

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

FINANCIAL REPORT

June 30, 2022

BROWN EDWARDS
certified public accountants

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BROWNEDWARDS
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Economic Development Authority of the City of Richmond, Virginia (the Authority), a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Economic Development Authority of the City of Richmond, Virginia, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Notes 2, 6, and 8 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87*, Leases.* Our opinion is not modified with respect to this matter.

Emphasis of Matter

As described in Note 15 to the financial statements, the previously issued financial statement for the year ended June 30, 2021, have been restated for the correction of a material misstatement in that period. Our opinion is not modified with respect to the matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
ENTER DATE

Management's Discussion and Analysis of the financial performance of the Economic Development Authority of the City of Richmond, Virginia (Authority) provides an overview of the financial activities for the year ended June 30, 2022. It should be read in conjunction with the financial statements.

Overview of the Financial Statements

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

Government-Wide Statement of Net Position

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

	Governmental Activities		Business-Type Activities		Total	
	6/30/2022	6/30/2021	6/30/2022	(As Restated) 6/30/2021	6/30/2022	(As Restated) 6/30/2021
Assets:						
Cash and cash equivalents	$ -	$ -	$ 10,676,682	$ 10,303,519	$ 10,676,682	$ 10,303,519
Capital assets, net	142,165	159,249	11,200,295	11,437,970	11,342,460	11,597,219
Leased capital assets, net	-	-	1,476,580	-	1,476,580	-
Other assets	-	-	31,056,799	31,337,005	31,056,799	31,337,005
Total assets	$ 142,165	$ 159,249	$ 54,410,356	$ 53,078,494	$ 54,552,521	$ 53,237,743
Liabilities:						
Current liabilities	$ -	$ -	$ 1,058,697	$ 1,411,135	$ 1,058,697	$ 1,411,135
Lease payable	-	-	1,469,283	-	1,469,283	-
Recoverable grant payable	-	-	24,885,000	26,115,000	24,885,000	26,115,000
Total liabilities	-	-	27,412,980	27,526,135	27,412,980	27,526,135
Deferred inflows of resources	-	-	380,065	-	380,065	-
Net position	142,165	159,249	26,617,311	25,552,359	26,759,476	25,711,608
Total liabilities, deferred inflow of resources, and net position	$ 142,165	$ 159,249	$ 54,410,356	$ 53,078,494	$ 54,552,521	$ 53,237,743

There was an increase in cash and cash equivalents of $373,163 primarily due to funds received from the City of Richmond.

There was a decrease in net capital assets of $254,759, primarily due to depreciation expense.

There was an increase in net leased capital assets of $1,476,580 due to the implementation of as a result of the implementation of GASB 87, *Leases*.

There was a decrease in other assets of $280,086, which is primarily due the decrease in the balance owed to the Authority from the City and the increase in the loans receivable balance over prior year.

There was a decrease in current liabilities of $352,438, primarily due to a $348,039 decrease in deferred revenue related to federal CARES funding received in advance in the prior year that were expended by the Authority or returned to the City of Richmond during the current year.

(Continued)

Government-Wide Statement of Net Position (Continued)

The increase in lease payable was due to the implementation of the new lease standard that was effective for the fiscal year ended June 30, 2022.

There was a decrease in recoverable grant payable of $1,230,000, due to the payments made on the recoverable grants payable to the City of Richmond related to the Stone Brewery and Leigh Street projects.

Government-Wide Statement of Activities

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

	Governmental Activities		Business-Type Activities		Total	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021	6/30/2022	6/30/2021
Revenues:						
Grant from the City of Richmond	$ -	$ -	$ 246,929	$ 7,473,191	$ 246,929	$ 7,473,191
Rental income	-	-	790,384	845,219	790,384	845,219
Loan administration fees	-	-	36,290	36,188	36,290	36,188
Bond and other fees	-	-	49,332	2,503	49,332	2,503
Loan program income	-	-	453,079	441,682	453,079	441,682
Sponsorship fees	-	-	-	222,507	-	222,507
Interest on capital lease	-	-	1,208,851	1,135,624	1,208,851	1,135,624
Other	-	-	775,689	380,996	775,689	380,996
Total revenues	-	-	3,577,966	10,537,910	3,577,966	10,537,910
Expenses:						
Economic development incentives	-	-	56,929	1,519,084	56,929	1,519,084
Federal CARES grants	-	-	190,000	6,295,153	190,000	6,295,153
Grant repaid to the State	-	-	101	750,000	101	750,000
Other grants and rebates	-	-	280,208	212,073	280,208	127,374
Building operations and maintenance	-	-	323,353	304,069	323,353	304,069
Depreciation	17,084	478,987	321,300	323,581	338,384	802,568
Interest	-	-	773,839	1,021,501	773,839	1,021,501
Other	-	-	567,284	838,454	567,284	838,454
Total expenses	17,084	478,987	2,513,014	11,263,915	2,530,098	11,742,902
Change in net position	$ (17,084)	$ (478,987)	$ 1,064,952	$ (726,005)	$ 1,047,868	$ (1,204,992)

Grant revenue from the City of Richmond, Virginia and other grants was less than grant expenses due to a timing difference between receipt of the grant revenue from the City in the prior year and disbursement to the qualifying businesses in the current year, combined with pending reimbursement requests outstanding from the City at year-end. Grant activity from the City of Richmond was significantly lower, by $7,226,262 in FY22 as compared to FY21 due to the influx of local and federal CARES funding from the City distributed to local businesses and organizations by the Authority in the prior year. Grant repaid to the State decreased by $749,899. This was due to a local business that had previously received economic development incentives moved its location out of the City in the prior year. As a result, the Authority was responsible for returning funding back to the state agency from which the funding had ultimately been received.

(Continued)

Government-Wide Statement of Activities (Continued)

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

Accomplishments and Economic Outlook

During the year ended June 30, 2022, the Authority supported the work of the City's Department of Economic Development to attract over $552 million in capital investment and 2,230 new jobs to the City of Richmond. The Authority's administration of both local and state discretionary performance incentives assists in making these accomplishments possible. Several of which include:

- CoStar Group's $460 million campus expansion in Downtown Richmond that will create 2,000 new jobs;
- Intact Technology opening a new office in Richmond that will create 125 new jobs; and
- Thermo Fisher opening a new facility in the Bio+Tech Park that will create 48 new jobs.

The Authority also 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 18 CARE and Extra CARE rebates disbursed totaling $310,596 during FY2022. This public investment figure stimulated more than $5.5 million in private investment.

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, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Note 4)	$ -	$ 10,676,682	$ 10,676,682
Due from the City (Note 12)	-	119,692	119,692
Other current assets	-	59,487	59,487
Financed purchase notes receivable, current portion (Note 5)	-	573,581	573,581
Lease receivable, current portion (Note 6)	-	333,699	333,699
Total current assets	-	11,763,141	11,763,141
NONCURRENT ASSETS			
Nondepreciable capital assets (Note 7)	142,165	1,524,874	1,667,039
Depreciable capital assets, net (Note 7)	-	9,675,421	9,675,421
Leased capital asset, net (Note 7)	-	1,476,580	1,476,580
Financed purchase notes receivable, less current portion (Note 5)	-	19,395,675	19,395,675
Lease receivable, less current portion (Note 6)	-	56,959	56,959
Loans receivable, net (Note 10)	-	9,226,040	9,226,040
Accrued interest receivable	-	1,156,521	1,156,521
Other noncurrent assets	-	135,145	135,145
Total noncurrent assets	142,165	42,647,215	42,789,380
Total assets	$ 142,165	$ 54,410,356	$ 54,552,521
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ -	$ 87,207	$ 87,207
Due to the City (Note 12)	-	33,072	33,072
Accrued interest payable	-	82,878	82,878
Deposits and reserves	-	125,540	125,540
Current portion of recoverable grant payable (Note 14)	-	730,000	730,000
Total current liabilities	-	1,058,697	1,058,697
NONCURRENT LIABILITIES			
Lease payable (Note 8)	-	1,469,283	1,469,283
Recoverable grants payable (Note 14)	-	24,885,000	24,885,000
Total noncurrent liabilities	-	26,354,283	26,354,283
Total liabilities	-	27,412,980	27,412,980
DEFERRED INLOWS OF RESOURCES			
Leases (Note 6)	-	380,065	380,065
NET POSITION			
Net investment in capital assets	142,165	4,707,592	4,849,757
Restricted	-	6,489,175	6,489,175
Unrestricted	-	15,420,544	15,420,544
Total net position	142,165	26,617,311	26,759,476
Total liabilities, deferred inflows of resources and net position	$ 142,165	$ 54,410,356	$ 54,552,521

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, 2022

	Governmental Activities	Business-Type Activities	Total
OPERATING REVENUES			
Rental and lease income	$ -	$ 790,384	$ 790,384
Loan administration and other fees	-	36,290	36,290
Bond and other fees	-	49,332	49,332
Loan program income	-	453,079	453,079
Other	-	460,306	460,306
Total operating revenues	-	1,789,391	1,789,391
OPERATING EXPENSES			
Personnel	-	221,295	221,295
Professional services	-	77,346	77,346
Internet and telephone services	-	7,581	7,581
Building operations and maintenance	-	323,353	323,353
Other	-	195,823	195,823
Loan administrative fees	-	36,000	36,000
Amortization	-	29,239	29,239
Depreciation	17,084	321,300	338,384
Total operating expenses	17,084	1,211,937	1,229,021
Operating (loss) income	(17,084)	577,454	560,370
NONOPERATING REVENUES (EXPENSES)			
Grants from the City of Richmond (Note 12)	-	246,929	246,929
Federal CARES grants (Note 12)	-	(190,000)	(190,000)
Economic development incentives (Note 12)	-	(56,929)	(56,929)
Grant repaid to the State	-	(101)	(101)
Other grants and rebates (Note 10)	-	(280,208)	(280,208)
Contribution from the City (Note 12)	-	300,101	300,101
Interest on capital leases	-	1,208,851	1,208,851
Interest expense	-	(773,839)	(773,839)
Interest income	-	32,694	32,694
Total non-operating revenues	-	487,498	487,498
Change in net position	(17,084)	1,064,952	1,047,868
NET POSITION			
Beginning of year (as restated) (Note 15)	159,249	25,552,359	25,711,608
End of year	$ 142,165	$ 26,617,311	$ 26,759,476

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, 2022

	Theater Fund
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 fund:	
Capital assets, cost	14,512,067
Accumulated depreciation	(14,369,902)
	142,165
Net position of governmental activities	$ 142,165

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, 2022

	Theater Fund
OPERATING REVENUES	
Naming rights fees	$ -
OPERATING EXPENDITURES	
Restoration grant	-
Change in fund balance	-
FUND BALANCE	
Beginning of year	-
End of year	$ -

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

Change in fund balance, total governmental fund	$ -
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	(17,084)
Change in net position of governmental activities	$ (17,084)

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, 2022

	Major Funds				
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	Loan Fund	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents (Note 4)	$ 3,295,027	$ 190,725	$ 2,142,705	$ 5,048,225	$ 10,676,682
Due from the City (Note 12)	119,692	-	-	-	119,692
Financed purchase notes receivable, current portion (Note 5)	8,866	-	564,715	-	573,581
Lease receivable, current portion (Note 6)	-	333,699	-	-	333,699
Other current assets	6,050	1,058	50,379	2,000	59,487
Total current assets	3,429,635	525,482	2,757,799	5,050,225	11,763,141
NONCURRENT ASSETS					
Nondepreciable capital assets (Note 7)	-	868,818	656,056	-	1,524,874
Depreciable capital assets, net (Note 7)	-	9,591,970	83,451	-	9,675,421
Leased capital assets, net (Note 7)	-	1,476,580	-	-	1,476,580
Financed purchase notes receivable, less current portion (Note 5)	389,259	-	19,006,416	-	19,395,675
Lease receivable, less current portion (Note 6)	-	56,959	-	-	56,959
Loans receivable, net (Note 10):					
Community Area Revitalization Effort (CARE) Program	-	-	-	19,853	19,853
Contractor Assistance Program (CAP)	-	-	-	165,465	165,465
Economic Development and Housing Loan Fund (EDHLF) Program	-	-	-	8,101,757	8,101,757
Revolving Loan Program (RLP)	-	-	-	938,965	938,965
Accrued interest receivable	-	-	-	1,156,521	1,156,521
Other noncurrent assets	-	135,145	-	-	135,145
Total noncurrent assets	389,259	12,129,472	19,745,923	10,382,561	42,647,215
Total assets	$ 3,818,894	$ 12,654,954	$ 22,503,722	$ 15,432,786	$ 54,410,356
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	$ 1,639	$ 776	$ 83,625	$ 1,167	$ 87,207
Due to the City (Note 12)	-	-	-	33,072	33,072
Accrued interest payable	-	24,038	58,840	-	82,878
Reserves and deposits	-	125,540	-	-	125,540
Current portion of recoverable grants payable (Note 14)	-	-	730,000	-	730,000
Total current liabilities	1,639	150,354	872,465	34,239	1,058,697
NONCURRENT LIABILITIES					
Lease payable (Note 8)	-	1,469,283	-	-	1,469,283
Recoverable grants payable, long term (Note 14)	-	6,500,000	18,385,000	-	24,885,000
Total noncurrent liabilities	-	7,969,283	18,385,000	-	26,354,283
Total liabilities	1,639	8,119,637	19,257,465	34,239	27,412,980
DEFERRED INFLOWS OF RESOURCES					
Leases (Note 6)	-	380,065	-	-	380,065
NET POSITION					
Net investment in capital assets	-	3,968,085	739,507	-	4,707,592
Restricted	1,461,006	-	-	5,028,169	6,489,175
Unrestricted	2,356,249	187,167	2,506,750	10,370,378	15,420,544
Total net position	3,817,255	4,155,252	3,246,257	15,398,547	26,617,311
Total liabilities, deferred inflows of resources and net position	$ 3,818,894	$ 12,654,954	$ 22,503,722	$ 15,432,786	$ 54,410,356

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, 2022

	Major Funds				
	Operating Fund	**Leigh St. Fund**	**Stone Brewery Fund**	**Loan Fund**	**Total**
OPERATING REVENUES					
Rental and lease income	$ -	$ 790,384	$ -	$ -	$ 790,384
Loan administration and other fees	36,000	-	-	290	36,290
Bond and other fees	49,332	-	-	-	49,332
Loan program income	-	-	-	453,079	453,079
Event and other income	-	460,306	-	-	460,306
Total operating revenues	85,332	1,250,690	-	453,369	1,789,391
OPERATING EXPENSES					
Personnel	1,008	220,287	-	-	221,295
Professional services	40,940	22,406	14,000	-	77,346
Internet and telephone services	-	7,581	-	-	7,581
Building operations and maintenance	-	323,353	-	-	323,353
Other	77,539	97,540	71,728	(50,984)	195,823
Loan administrative fees	-	-	-	36,000	36,000
Amortization	-	29,239	-	-	29,239
Depreciation	-	321,126	174	-	321,300
Total operating expenses	119,487	1,021,532	85,902	(14,984)	1,211,937
Operating (loss) income	(34,155)	229,158	(85,902)	468,353	577,454
NONOPERATING REVENUES (EXPENSES)					
Grants from the City of Richmond (Note 12)	246,929	-	-	-	246,929
Federal CARES grants (Note 12)	(190,000)	-	-	-	(190,000)
Economic development incentives (Note 12)	(56,929)	-	-	-	(56,929)
Grant repaid to the State	(101)	-	-	-	(101)
Other grants and rebates (Note 10)	-	-	-	(280,208)	(280,208)
Contributions from the City (Note 12)	-	-	-	300,101	300,101
Interest on capital leases	37	-	1,208,814	-	1,208,851
Interest expense	-	(48,342)	(725,497)	-	(773,839)
Interest income	1,143	17,436	1,314	12,801	32,694
Total nonoperating revenues	1,079	(30,906)	484,631	32,694	487,498
Income before transfers	(33,076)	198,252	398,729	501,047	1,064,952
Transfers (out) in (Note 12)	(372,626)	-	-	372,626	-
Change in net position	(405,702)	198,252	398,729	873,673	1,064,952
NET POSITION					
Beginning of year (as restated) (Note 15)	4,222,957	3,957,000	2,847,528	14,524,874	25,552,359
End of year	$ 3,817,255	$ 4,155,252	$ 3,246,257	$ 15,398,547	$ 26,617,311

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, 2022

	Major Funds				
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	Loan Fund	Total
OPERATING ACTIVITIES					
Receipts from rentals	$ -	$ 823,384	$ -	$ -	$ 823,384
Receipts from loan administration	36,000	-	-	290	36,290
Issuances of loans	-	-	-	(270,830)	(270,830)
Receipts from loan repayments	-	-	-	180,652	180,652
Receipts from other activities	48,390	460,306	-	82,706	591,402
Payments for operating activities	(126,107)	(650,111)	(2,778)	(79,765)	(858,761)
Net cash (used in) provided by operating activities	(41,717)	633,579	(2,778)	(86,947)	502,137
NONCAPITAL FINANCING ACTIVITIES					
Grants and receipts from City of Richmond	488,804	-	-	300,101	788,905
Economic development incentive payments	(107,746)	-	-	-	(107,746)
Federal CARES grant payments	(190,000)	-	-	-	(190,000)
Other grants and rebates	-	-	-	(280,208)	(280,208)
Grant repayments to the State	(6,351)	-	-	-	(6,351)
Use of escrows and reserves	-	(13,158)	-	-	(13,158)
Transfers to other funds	(372,626)	-	-	372,626	-
Net cash (used in) provided by noncapital financing activities	(187,919)	(13,158)	-	392,519	191,442
INVESTING ACTIVITIES					
Interest earned	1,143	17,436	1,314	12,801	32,694
CAPITAL AND RELATED FINANCING ACTIVITIES					
Construction of capital assets	-	-	(83,625)	-	(83,625)
Cash paid on interest	-	-	(727,262)	-	(727,262)
Cash paid on leased asset	-	(60,840)	-	-	(60,840)
Payments received on capital leases	-	-	1,740,268	-	1,740,268
Payments received on lease	-	(11,651)	-	-	(11,651)
Payments of recoverable grant payable	-	(500,000)	(710,000)	-	(1,210,000)
Net cash (used in) provided by capital and related financing activities	-	(572,491)	219,381	-	(353,110)
Net (decrease) increase in cash and cash equivalents	(228,493)	65,366	217,917	318,373	373,163
CASH AND CASH EQUIVALENTS					
Beginning of year	3,523,520	125,359	1,924,788	4,729,852	10,303,519
End of year	$ 3,295,027	$ 190,725	$ 2,142,705	$ 5,048,225	$ 10,676,682

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

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

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
Year Ended June 30, 2022

	Major Funds				
	Operating Fund	**Leigh St. Fund**	**Stone Brewery Fund**	**Loan Fund**	**Total**
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating (loss) income	$ (34,155)	$ 229,158	$ (85,902)	$ 468,353	$ 577,454
Adjustments to reconcile operating (loss) income to cash provided by (used in) operating activities:					
Depreciation	-	321,126	174	-	321,300
Amortization	-	29,239	-	-	29,239
Bad debt recovery	-	-	-	(65,172)	(65,172)
Change in current assets and liabilities:					
Receivables	(942)	33,000	-	1,449	33,507
Prepaid expenses	(1,574)	20,280	1,859	1,050	21,615
Loans receivable, net	-	-	-	(90,178)	(90,178)
Accrued interest receivable	-	-	-	(370,373)	(370,373)
Accounts payable	(5,046)	776	81,091	(7,709)	69,112
Due to City	-	-	-	(24,367)	(24,367)
Net cash (used in) provided by operating activities	$ (41,717)	$ 633,579	$ (2,778)	$ (86,947)	$ 502,137

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

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

<u>Government-wide financial statements</u>

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

<u>Fund financial statements</u>

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.

<u>Governmental fund - special revenue fund</u>

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.

2. Summary of Significant Accounting Policies (Continued)

Enterprise funds

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

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

Cash and cash equivalents

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

Property and equipment

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

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

Recoverable grant payable

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

Adoption of New Accounting Standard

Effective July 1, 2021, the Authority adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. The following discussion provides the Authority's accounting policy regarding lease agreements.

During the year of implementation of GASB 87*,* leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year of implementation (i.e. as of July 1, 2021). The Authority's leases in place at the implementation date had no prepayments (payments made at or before the commencement of the lease) and contained no incentives, as such, the lease receivable and lease liability have been recognized and measured at the same amount as the related deferred inflow of resources and right-of-use lease asset, respectively, as of the implementation date (July 1, 2021). Therefore, no restatement of prior year net position was necessary.

(Continued)

2. Summary of Significant Accounting Policies (Continued)

Leases

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

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

Right-of-use lease asset and related lease liability

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

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

Lease receivable and related deferred inflow of resources

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

Use of estimates

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

2. Summary of Significant Accounting Policies (Continued)

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 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 Training Center is expected to have a material positive impact on the statement of activities of the Authority for the foreseeable future.

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.

4. Deposits

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

5. Financed Purchase Notes Receivable

The Authority has executed a financed purchase agreement with Koochenvagner's Brewing Co. (d/b/a Stone Brewing Co.) for land, building and equipment. The note receivable has a value of $33,065,059 at June 30, 2022, which is equal to the total future minimum payments under the terms of the agreement, which is $1,740,266 annually over the term of the note which extends through June 2041. The financial statements include unearned income of $13,493,928 related to unearned interest at 6% on the note receivable.

The following lists the components of the financed purchase note receivable at June 30, 2022:

	Minimum Note Payments	Less Unearned Revenue	Net Receivable
Current portion	$ 1,740,266	$ (1,175,551)	$ 564,715
Noncurrent portion	31,324,793	(12,318,377)	19,006,416
	$ 33,065,059	$ (13,493,928)	$ 19,571,131

The Authority has executed a financed purchase agreement with Tobacco Row Land, L.P. for land for a parking facility. The note receivable has a value of $616,000 at June 30, 2022, which is equal to the total future minimum payments under the terms of the agreement, which is $22,000 annually over the term of the note which extends through July 2049. The financial statements include unearned income of $217,875. The interest rate used on the agreement as of July 1, 2021, was 3.25%.

The following lists the components of the financed purchase note receivable at June 30, 2022:

	Minimum Note Payments	Less Unearned Revenue	Net Receivable
Current portion	$ 22,000	$ (13,134)	$ 8,866
Noncurrent portion	594,000	(204,741)	389,259
	$ 616,000	$ (217,875)	$ 398,125

(Continued)

6. Lease Receivable / Deferred Inflow of Resources

The Authority, as a lessor, has entered into a lease with a local hospital for the use of office space in a building owned by the Authority. Effective July 1, 2021, the Authority adopted GASB 87, *Leases*, and, as a result, recognized a lease receivable and deferred lease revenue of $705,835 as of that date, using a discount rate of 3.25%. As of June 30, 2022, the outstanding balance of the lease receivable was $390,658, of which $333,699 is current. The related deferred inflow of resources was $380,065 as of June 30, 2022. During 2022, the Authority recognized lease and interest revenue related to this lease of $325,770 and $17,412, respectively. The lease revenue is included in rental and lease income on the statement of revenues, expenses, and changes in net position.

Future maturities of the lease receivables are as follows:

	Principal	Interest	Total
2023	$ 333,699	$ 7,777	$ 341,476
2024	56,959	232	57,191
	$ 390,658	$ 8,009	$ 398,667

7. Capital Assets

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities:				
Nondepreciable:				
Land	$ 142,165	$ -	$ -	$ 142,165
Depreciable:				
Buildings and improvements	14,369,902	-	-	14,369,902
Accumulated depreciation	(14,352,818)	(17,084)	-	(14,369,902)
Total depreciable, net	17,084	(17,084)	-	-
Total governmental activities	$ 159,249	$ (17,084)	$ -	$ 142,165

(Continued)

7. Capital Assets (Continued)

	Balance July 1, 2021 as restated*	Additions	Deletions	Balance June 30, 2022
Business-type activities:				
Nondepreciable:				
Land	$ 1,470,223	$ -	$ -	$ 1,470,223
Construction in progress	54,651	-	-	54,651
Total nondepreciable	1,524,874	-	-	1,524,874
Depreciable:				
Buildings and improvements	15,537,679	83,625	-	15,621,304
Equipment	22,100	-	(22,100)	-
Total depreciable	15,559,779	83,625	(22,100)	15,621,304
Accumulated depreciation	(5,646,683)	(321,300)	22,100	(5,945,883)
Total depreciable, net	9,913,096	(237,675)	-	9,675,421
Right-to-use lease assets:				
Land	1,505,819	-	-	1,505,819
Accumulated amortization	-	(29,239)	-	(29,239)
Total right-to-use lease assets, net	1,505,819	(29,239)	-	1,476,580
Total business-type activities	$ 12,943,789	$ (266,914)	$ -	$ 12,676,875

*Amounts have been restated to include right-of-use lease assets related to the implementation of GASB Statement 87, *Leases*.

8. Intangible Right-to-Use Lease Liability

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

Balance - July, 1, 2021	$ 1,485,539
Subtractions	(16,256)
Balance - June 30, 2022	$ 1,469,283

8. Intangible Right-to-Use Lease Liability (Continued)

Future maturities are as follows:

	Principal	Interest	Total
2023	$ -	$ 40,560	$ 40,560
2024	-	40,560	40,560
2025	-	40,560	40,560
2026	-	40,560	40,560
2027	-	40,560	40,560
2028 - 2032	-	202,800	202,800
2033 - 2037	-	283,920	283,920
2038 - 2042	-	283,920	283,920
2043 - 2047	69,144	271,561	340,705
2048 - 2052	117,247	223,458	340,705
2053 - 2057	210,691	198,153	408,844
2058 - 2062	247,813	161,032	408,845
2063 - 2067	378,821	111,794	490,615
2068 - 2072	445,567	45,049	490,616
	$ 1,469,283	$ 1,984,487	$ 3,453,770

Related lease assets totaling $1,505,819, offset by accumulated amortization of $29,239, is included in leased capital assets, net on the statement of net position as of June 30, 2022.

9. Commitments and Contingencies

The Authority has executed performance agreements with certain local businesses on behalf of the City, which contain capital investment and employment goals. Upon completion of the specific requirements, the grant funds are awarded as stated in the performance agreements. The Authority's responsibility for payment of these awards is subject to funding appropriation by the City, as such, the Authority has no exposure under these agreements. The Authority has received grant funds totaling $1,352,402 from the City that have not yet been approved for distribution to the local businesses and thus are included in the Authority's restricted net position balance at June 30, 2022, along with other restricted revenue sources.

10. Loans Program Receivables

Commercial Area Revitalization Effort

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

At June 30, 2022, the carrying value of loans receivable from the CARE program was $32,066, less an uncollectible allowance of $12,213. The fair value of these loans is not readily determinable. The Authority administered rebates in the amount of $280,208 during the year ended June 30, 2022, which is included in other grants and rebates on the statement of activities.

Contractor Assistance Program

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

At June 30, 2022, the carrying value of loans receivable from the CAP program was $234,893, less an uncollectible allowance of $69,428. The fair value of these loans is not readily determinable.

Economic Development and Housing Loan Fund

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

During the fiscal year 2013, the City had drawn down the approved loan from the United States Department of Housing and Urban Development (HUD) in the amount of $10,125,000 and transferred the proceeds to the Authority. At June 30, 2022, approximately eight million in loans had been granted from these funds, and the carrying value of the loans was $8,183,668 which did not include a fee income receivable, less an uncollectible allowance of $81,911.

10. Loans Program Receivables (Continued)

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, 2022, the carrying value of loans receivable from the RLP program was $1,046,787, less an uncollectible allowance of $107,822. The fair value of these loans is not readily determinable.

Enterprise Zone Incentive Loans

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

The EZIL Program is no longer being funded by the City. During the year ended June 30, 2011, all remaining loans receivable from the EZIL program were written off. The fund remains open to collect residual loan recovery payments. There were recoveries from loans previously written off of $1,667 during the year ended June 30, 2022.

11. 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.

12. Related Party Transactions

Loan Fund

The Authority has received funds from the City for programs that are not administered by the Authority. As a result, these are reported as Due to the City on the statement of net position. These funds total $33,072 at June 30, 2022.

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 owner passed during the year, and a total of $97,550 of the loan balance was paid off. The loan balance was $1,410 at June 30, 2022.

During 2022, the City made a contribution to the CARE loan program of $300,101.

Operating Fund

During the year ended June 30, 2022, the Authority received $56,929 in economic development incentives from the City to be passed on to approved businesses in accordance with the terms of performance agreements. Incentive grants of $56,929 were paid out during the year. Additionally, prior to 2021, the Authority made City-approved disbursements in excess of receipts of $119,692. This is included in Due from the City on the statement of net position. The Authority also repaid $30,000 to the City that was included in Due to the City in the prior year and also received $36,537 from a grantee that was returned to the City during the year.

During 2021, the Authority received a total of $5,719,273, in Coronavirus Aid, Relief, and Economic Security (CARES) Act pass-through grant funds from the City, of which $5,371,233 was disbursed in that year. The remaining unspent funds of $348,039 were reflected as unearned grant revenue on the statement of net position at June 30, 2021. During the current year, an additional $190,000 was disbursed in the form of grants to businesses within the City impacted by COVID-19. The remaining $158,039 was returned to the City during the current year.

During 2021, the City approved CARES grant funds to be allocated to the Authority for the purpose of forgiving small business disaster loans. During the current year, the Authority received a total of $660,000 from the City. However, the Authority was only owed a total of $619,114 at the end of the prior year for grant funds distributed. The overpayment of $40,886 was returned to the City during the current year.

Additionally, in the prior year, the Authority received $500,000 in local (non-federal) funding from the City for the purpose of aiding in overall recovery for local businesses. The remaining $372,626 that was unspent in the prior year was released by the City as a contribution to the Loan fund during the current year.

Prior to 2021, the Authority had received from the City $550,000 in funding for a Façade Improvement Grant Program. Grants of $507,505 were awarded under this program in prior years and $10,000 was awarded during the year ended June 30, 2022. These grants are included in other operating expenses on the statement of revenues, expenses and changes in net position. The remaining balance of $32,495 is classified as restricted net position on the statement of net position.

13. 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.

14. Recoverable Grant Payable

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

Recoverable grant payable to the City of Richmond of $23,000,000 due in annual installments of varying amounts and at various interest rates through June 1, 2041; interest payable semi-annually at rates ranging 3% to 4%.	$ 19,115,000

Activity in long-term recoverable grants payable for fiscal year 2022 follows:

	Balance June 30, 2021	Issued	Retired	Balance June 30, 2022	Amount Due Within One Year
Leigh Street Fund	$ 7,000,000	$ -	$ (500,000)	$ 6,500,000	$ -
Stone Brewery Fund	19,825,000	-	(710,000)	19,115,000	730,000
	$ 26,825,000	$ -	$ (1,210,000)	$ 25,615,000	$ 730,000

14. Recoverable Grant Payable (Continued)

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

Year Ending June 30,	Principal	Interest	Total
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	795,000	642,462	1,437,462
2027	820,000	617,619	1,437,619
2028-2032	4,545,000	2,647,682	7,192,682
2033-2037	5,475,000	1,719,400	7,194,400
2038-2042	5,225,000	532,800	5,757,800
	$ 19,115,000	$ 8,224,001	$ 27,339,001

15. Prior Period Restatement

During 2022, the Authority determined that an agreement related to the parking facility owned by the Authority previously reported as a lease is actually a financed purchase as disclosed in Note 5 (Tobacco Row Land, L.P.). As such, balances at the beginning of the year have been restated as follows:

	Total Reporting Entity	Business-Type Activities	Operating Enterprise Fund
Net position July 1, 2021, as previously reported	$ 25,291,520	$ 25,132,271	$ 3,802,869
Effect of restatement – financed purchase note receivable	420,088	420,088	420,088
Net position July 1, 2021, as restated	$ 25,711,608	$ 25,552,359	$ 4,222,957

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Board, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activities and each major fund of the Economic Development Authority of the City of Richmond, Virginia (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated ENTER DATE.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal controls, described in the accompanying schedule of findings and responses, as item 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Authority's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompany schedule of findings and responses. The Authority's response was not subject to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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
ENTER DATE

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

SUMMARY OF COMPLIANCE MATTERS
June 30, 2022

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, 2022

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One significant deficiency 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

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

Condition:

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

Criteria:

A review of the calculation by a qualified review should be implemented subsequent to the preparation of the allowance calculation to ensure the balances are accurate.

Cause:

The allowance calculation was reviewed by the preparer only (self-review error).

Effect:

Allowance was incorrectly reported at year-end.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

Management acknowledges the incorrect calculation of the allowance for loan losses. To mitigate the risk of this occurring again, management will establish a policy and process that requires the calculation for the allowance for loan losses to be reviewed by the Authority's accountant after completion by the preparer and before being submitted for posting.

(Continued)

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

C. FINDINGS - COMMONWEALTH OF VIRGINIA

None noted.

D. STATUS OF PRIOR YEAR COMPLIANCE FINDINGS

2021-001: Internal Controls Over Outstanding Checks (Significant Deficiency)

Condition:

During our testing of bank reconciliations, we noted two instances of inaccurately stated outstanding checks - one check was recorded on the outstanding check list for an amount that did not agree with the check that was issued. Additionally, we noted a check had been voided; however, the financial reporting system did not capture that void and it was still reported erroneously as a reduction to cash at year end.

Recommendation:

We recommend that processes and procedures be improved and implemented, to include relevant controls, to ensure checks are not modified after they are issued and that voided checks are immediately captured in the financial reporting system.

Current Status:

This has been addressed in the current year.

2021-002: Internal Controls Over Journal Entries (Significant Deficiency)

Condition:

During our audit, we noted erroneously posted general journal entries involving loan accounts.

Recommendation:

We recommend that a formal review of all journal entries for the loan accounts be completed. We also recommend that review and approval of all entries for the loan accounts be formally documented.

Current Status:

This has been addressed in the current year.

D. STATUS OF PRIOR YEAR COMPLIANCE FINDINGS (Continued)

2021-003: Internal Controls Over Year End Balance Reconciliations (Significant Deficiency)

Condition:

During our audit, we noted several account balances were incorrectly stated which required a significant number of audit adjustments to correct. Reconciliations for some receivable and payable accounts were not readily available.

Recommendation:

We recommend that processes and procedures be development and implemented to ensure that all general ledger accounts are reconciled monthly by management and accounting staff regardless of activity level so that Authority activity is appropriately recorded and reported.

Current Status:

This has been addressed in the current year.

2021-004: Conflicts of Interest

Condition:

During our testing of the conflicts of interest, there was one instance where a form was filed after the February 1, 2021, deadline

Recommendation:

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

Current Status:

This has been addressed in the current year.

Economic Development Authority
City of Richmond

October 12, 2022

Brown, Edwards & Company
701 Town Center Drive, Suite 700, Suite 700
Newport News, Virginia 23606

This representation letter is provided in connection with your audit of the financial statements of Economic Development Authority of the City of Richmond, Virginia, which comprise the governmental activities, the business-type activities, and each major fund as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 1, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

Financial Statements (Continued)

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. We are in agreement with the adjusting entries you have proposed, and they have been posted to the Authority's accounts. Also, there were no uncorrected misstatements or omitted disclosures noted by your during your audit.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.
11. We have provided the planning communication letter to all members of those charged with governance as requested.

Information Provided

12. We have provided you with:
    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
    d. Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of any fraud or suspected fraud that affects the Authority and involves—
    - Management,
    - Employees who have significant roles in internal control, or
    - Service organizations used by the Authority, or
    - Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting Authority's financial statements communicated by employees, former employees, regulators, or others.
17. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
18. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements and there have been no changes to the status of any pending litigation subsequent to the legal responses received from Bonnie Ashley, Deputy City Attorney, dated August 25, 2022.
19. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Government-Specific

20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. We have a process to track the status of audit findings and recommendations.
22. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
23. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, and fund balance or net position.
24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
28. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
29. As part of your audit, you assisted with preparation of the financial statements and related notes and assisted with the implementation of GASB 87, *Leases*. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services; and ensured that the entity's data and records are complete and received sufficient information to oversee the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
30. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34 , as amended, and GASB Statement No. 84.
34. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

Government-Specific (Continued)

35. Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

36. Provisions for uncollectible receivables have been properly identified and recorded.

37. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

38. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

39. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

40. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

41. We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board Statements (GASBS) that are not yet effective. The Authority is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the result of its operations when the Statements are adopted.

42. We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

43. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

44. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

45. Expenditures of federal awards were below the $750,000 threshold in two prior audit periods, and we were not required to have an audit in accordance with the Uniform Guidance.

46. Disclosures included in the financial statements regarding the relevant significant financial reporting impacts from enactment of the CARES Act accurately reflect management's full consideration of such impacts.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were issued or available to be issued. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

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Leonard Sledge, Executive Director and Board Secretary

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Lisa Jones, A.G. Reese