VIRGINIA COMMERCIAL SPACE FLIGHT AUTHORITY

A Component Unit of the Commonwealth of Virginia

FINANCIAL REPORT

June 30, 2020

BROWNEDWARDS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Commercial Space Flight Authority
Norfolk, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Commercial Space Flight Authority, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Virginia Commercial Space Flight Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specification for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Commercial Space Flight Authority as of June 30, 2020, and the changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

The listing of Authority officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of the Virginia Commercial Space Flight Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Virginia Commercial Space Flight Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 23, 2020

The management of the Virginia Commercial Space Flight Authority (Authority), offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Virginia Commercial Space Flight Authority for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes.

Summary of Organization and Business

The Virginia Commercial Space Flight Authority was established as a political subdivision of the Commonwealth of Virginia, by Chapter 758 of the 1995 Acts of Assembly. It operates as an independent entity in accordance with the provisions of the *Code of Virginia, Title 2.2, Chapter 22, Sections 2.2-2201 et.sequence* as amended. The Authority's legislated purpose is to promote industrial and economic development and scientific and technological research and development through the development and promotion of the commercial and government aerospace industry. A Board of Directors, composed of 9 members, manages the Authority.

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

Overview of Annual Financial Report

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

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

Statement of Net Position

The Statement of Net Position presents the Authority's Assets, Liabilities and Net Position as of the end of the fiscal year. The purpose of this statement is to present readers a fiscal snapshot at June 30, 2020. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the Authority's operations. They are also able to determine how much the Authority owes vendors and creditors.

Statement of Net Position (Continued)

	2020	2019	Change
Assets:			
Current assets	$ 15,921,012	$ 14,259,422	$ 1,661,590
Construction-in-progress	19,857,350	37,454,120	(17,596,770)
Capital assets, net of accumulated depreciation	129,885,109	102,398,274	27,486,835
Total assets	$165,663,471	$154,111,816	$ 11,551,655
Liabilities:			
Current liabilities	$ 5,671,340	$ 6,503,508	$ (832,168)
Noncurrent liabilities	17,346	70,006	(52,660)
Total liabilities	$ 5,688,686	$ 6,573,514	$ (884,828)
Net Position:			
Net investment in capital assets	$149,672,131	$139,852,394	$ 9,819,737
Restricted for Mid-Atlantic Regional Spaceport Facilities	4,740,169	804,530	3,935,639
Unrestricted	5,562,485	6,881,378	(1,318,893)
Total net position	$159,974,785	$147,538,302	$ 12,436,483

The increase in current assets of $1,661,590 is associated with an increase in cash of $3,785,577, which is primarily related to the timing of spending the appropriation from the Commonwealth of Virginia, received in fiscal year 2020 for construction of additional facilities at the Mid-Atlantic Regional Spaceport. The Authority received $7,500,000 and as of June 30, 2020, $4,740,169 remains to be spent. The remaining variance in current assets is due to a decrease in accounts receivable offset by an increase in prepaid expenses related to payment for a Facilities and Ground processing agreement with NASA that is effective July 1, 2020.

The decrease in construction-in-progress of $17,596,770 is primarily associated with the completion and final capitalization of fixed assets in FY20: $31.5 million for the MARS Payload Processing Facility ("PPF"), $700,000 in improvements to Pad 0B, and $1 million in security enhancements to all MARS facilities. This was offset by the addition of $12.2 million of construction costs for the construction of Pad 0C and a new Integration Control Facility and $1 million in miscellaneous enhancements to the UAS Airfield, Pad 0B, and the PPF.

The increase in capital assets of $27,486,835 is the result of the completion and capitalization of capital assets noted above offset by depreciation and amortization expense of $5,877,890.

The decrease in current liabilities of $832,168 is associated with a $1 million decrease in accounts payable, primarily associated with payments accrued in FY19 related to construction of the PPF and Pad 0C being made in FY20. The remaining variance is offset by an increase in unearned revenue of $199,698, offset by $1,919,998 FY19 unearned revenue earned in FY20. The remaining variance is offset by a $1 million decrease in accounts payable, primarily associated with payments accrued in FY19 related to construction of the PPF and Pad 0C being made in FY20.

The decrease in noncurrent liabilities of $52,660 is related to payments made on a software contract.

(Continued)

Statement of Net Position (Continued)

The decrease in unrestricted net position is a result of the change in net position for the fiscal year exclusive of funds restricted for the Mid-Atlantic Regional Spaceport Facilities and depreciation charges less further investment in capital assets during the period.

The increase in restricted net position is a result of $4.7 remaining to be spent on the $7.5 million appropriation for the Mid-Atlantic Regional Spaceport Facilities, offset by completion of the restriction from FY19.

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

Statement of Revenue, Expenses and Changes in Net Position

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

Operating revenue and expenses generally represent the activity associated with rocket launch activities, UAS Airfield activities, Payload Processing Facility activities, interest received on our bank balance, cost of overall administration of the Authority and depreciation and amortization of its capital assets. Nonoperating revenue and expenses generally relate to funds received from Commonwealth of Virginia appropriations and both federal and commercial agreements associated with the development of space launch, PPF and UAS capabilities at the Mid-Atlantic Regional Spaceport, Wallops Flight Facility located on the Eastern Shore of Virginia.

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

	2020	2019	Change
Total operating revenue	$ 12,208,195	$ 12,291,478	$ (83,283)
Total operating expenses	(30,222,095)	(28,214,346)	(2,007,749)
Net operating loss	(18,013,900)	(15,922,868)	(2,091,032)
Total nonoperating revenue	30,450,383	23,332,301	7,118,082
Change in net position	12,436,483	7,409,433	5,027,050
Total net position, beginning of year	147,538,302	140,128,869	7,409,433
Total net position, end of year	$159,974,785	$147,538,302	$ 12,436,483

The decrease in operating revenue of $83,283 is primarily due to the net decrease in commercial launch fee and launch support revenue of $1,288,986 offset by an increase in payload processing fees of $940,000 as FY20 was the first year of operation of the PPF, and an increase in other federal operating revenue. Operating expenses increased $2,007,749 due to the increased cost associated with operating both the PPF and UAS airfield.

The increase in nonoperating revenue of $7,118,082 is due to the $7,500,000 appropriation from the Commonwealth of Virginia.

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

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Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in assessment of the Authority's ability to generate cash to meet present and future obligations and detailed information reflecting the Authority's sources and uses of cash during the fiscal year. Cash flows from operating activities reflect the uses to support the essential mission and administration of the Authority. The primary sources of operating cash flows are from launch fees, launch support activities, Payload Processing Facility activities and UAS Airfield activities. The primary uses of operating cash flows are payments to personnel, including salaries, wages, and fringe benefits and payments to suppliers and subcontractors. Cash flows from noncapital financing activities reflect the nonoperating noncapital sources and uses of cash. The primary source of noncapital financing activities cash flows is $15,800,000 from the Commonwealth of Virginia's annual appropriation. The primary uses of noncapital financing activities cash flows are to support cash requirements of operations and to support non-capital activities related to MARS facility enhancements. Cash flows from capital financing activities reflect the nonoperating capital sources and uses of cash. The primary source of capital financing cash flows is a $7,500,000 appropriation from the Commonwealth of Virginia for construction of Launch Complex 2 and additional UAS facilities with an additional source from Federal and Commercial contracts for MARS facilities enhancements. The primary uses of cash flows from capital financing activities were for investment in construction in progress and capital assets.

	2020	2019	Change
Cash flows used by operating activities	$ (8,340,702)	$ (8,740,403)	$ 399,701
Cash flows provided by noncapital financing activities	10,336,925	15,724,425	(5,387,500)
Cash flows provided (used) by capital financing activities	1,789,354	(17,011,275)	18,800,629
Net change in cash	$ 3,785,577	$ (10,027,253)	$ 13,812,830

Capital Assets

The Authority's capital assets consist primarily of Launch Pad 0A and Launch Pad 0B at the Mid-Atlantic Regional Spaceport, the UAS Airfield and the Payload Processing Facility, Wallops Flight Facility on the Eastern Shore of Virginia and related support machinery and equipment. As discussed further in the Significant Events section of this MD&A, Pad 0C and the new Integration Control Facility are still under construction as of June 30, 2020, hence they remain in construction-in-progress.

Significant Events

Introduction

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

MARS has three operational pads, Pad 0A, Pad 0B, and Pad 0C, all located within Launch Complex 0. Pad 0A, a Medium Class Launch Facility (MCLF) is comprised of a cryogenic liquid fuel facility with an automated commodities system, fortified launch mount, robust electrical and environmental control systems, and gravity fed freshwater deluge system. Pad 0B, a secure Small Class Launch Facility (SCLF), is comprised of a launch stool, moveable service structure, launch equipment vault, lightning protection system, and environmental control system. The construction phase of Pad 0C was completed in FY20. Pad 0C, also referred to as LC-2, serves as a Venture Class Launch Facility.

(Continued)

Significant Events (Continued)

Introduction (Continued)

Pad 0C supports vehicles of a smaller size but is just as complex in scope as Pad 0A. Similar to Pad 0A, Pad 0C includes a cryogenic liquid fuel facility with an automated commodities system, robust electrical and environmental control systems, a gravity fed freshwater deluge system, and adds a rotating, hydraulic launch mount and strong back structure.

Pad 0A currently hosts the Northrop Grumman Antares launch vehicle under contract to deliver cargo to the International Space Station (ISS), with potential for additional significant National Aeronautics and Space Administration (NASA) and United States Department of Defense (DoD) payload business. Pad 0B hosts Northrop Grumman Minotaur class launch vehicles and can also be reconfigured to host nearly any existing small class launch vehicle on the market. Pad 0C hosts Rocket Lab's Electron launch vehicle with the first flight planned for FY21.

At the north end of Wallops Island there are two additional, operational MARS facilities. These include a purpose-built Unmanned Aerial Systems (UAS) Airfield, and a new MARS Payload Processing Facility (PPF), whose construction was completed in FY20.

Additionally, Virginia Space started construction of a new building in FY20, an Integration and Control Facility (ICF), located in the Wallops Research Park, which will be leased to Rocket Lab following completion in FY21.

COVID-19 Impacts

Virginia Space, along with the rest of the world, has adapted to the challenges presented by the COVID-19 pandemic. The Virginia Space COVID-19 response plan utilizes a matrix-oriented team consisting of members from executive leadership, operations, communications, safety, and human resources, and leverages guidelines and recommendations from the CDC, Virginia Department of Health, and NASA. Through careful and considered planning and coordination efforts, Virginia Space has been able to continue mission critical activities at the Spaceport continuously through the pandemic. Teleworking was prioritized for all employees who were not required to be on site. Guidelines were communicated for on-site employees, requiring social distancing, proper handwashing, mask wearing, and the cleaning of shared surfaces.

Public and private tours of the facilities were closed to the public in March and continue to be closed. Summer is the busiest season for pad visits, many of which are science-based student groups; however, Virginia Space was able to pivot and provide a virtual tour experience to some student groups.

Despite the unprecedented times, Virginia Space employees have been adaptive, and successfully maintained critical assets while also supporting US national defense and security missions.

Launch Vehicle and Payload Operations

Launched from Pad 0A aboard the Northrop Grumman Antares 230+ rocket on Saturday, November 2, 2019 at approximately 9:59 AM, the S.S. Alan Bean Cygnus cargo module was captured at 4:21 AM ET by the Exp 61 crew and installed on the Unity nodule of the ISS on Monday, November 4, 2019. Carrying approximately 8,200 lbs. of research, supplies and hardware, the S.S. Bean Cygnus remained berthed until January 2020. The NG CRS-12 mission was in orbit simultaneously with NG CRS-11 Cygnus spacecraft, which launched in April 2019 from MARS Pad 0A and remained in space for an extended duration flight. This was the first time Northrop Grumman commanded two payload modules simultaneously, demonstrating additional capabilities of Cygnus to support NASA missions.

Significant Events (Continued)

Launch Vehicle and Payload Operations (Continued)

NG-12 was the first launch of Northrop Grumman's CRS-2 contract. Under the agreement, Northrop Grumman will provide at least six logistics servicing missions carrying over 20,000 kg of cargo to the ISS. At the pre-launch press conference Q&A session, Northrop Grumman stated they intend to fly all six missions out of Wallops Island. NG-12 used the recently developed 24-hour cargo load capability provided by recent launch pad and cargo loading modifications including the use of a new Mobile Payload Processing Facility (MPPF). This crucial capability was instrumental in Northrop Grumman securing the CRS-2 contract.

The second mission under Northrop Grumman's CRS-2 contract with NASA, NG-13, was successfully launched on Saturday, February 15, 2020 at approximately 3:21 PM ET from Pad 0A. Northrop Grumman named the NG-13 spacecraft after former astronaut Robert H. Lawrence, Jr. He became the first African American astronaut in 1967, when the Air Force selected him as a member of the third group of astronauts for the Manned Orbiting Laboratory program. This mission delivered 8,009 pounds of cargo to the space station.

MARS Pad 0A is in good condition following both launches with normal and expected wear and tear. The following major modifications and maintenance items were made to Pad 0A in FY20, improving system performance and reliability.

- Replacement of RP-1 Chiller and RP-1 Heat Exchanger upgrade
- Replacement of Transporter Erector Launcher (TEL) Cylinder Heaters
- Interface connections made between Pad 0A and Pad 0C
- Fencing and physical security upgrades

Preparations for the first launch from Pad 0B since 2013 were made throughout the second half of FY20. Mission support was provided by Virginia Space both through administrative functions at the MARSCOM office as well as operationally at the pad including tower rolls, platform and door operations, and crane lifts for motor offloading and stacking.

The construction phase of Pad 0C was completed in only eleven months, culminating in a formal Pad Opening ceremony with Rocket Lab, NASA, US Air Force and Commonwealth local and state government officials attending the event on December 12, 2019. Pad 0C/LC-2 is Rocket Lab's first US launch site and the USAF was announced as the first customer to fly from Virginia on a dedicated Electron mission called Monolith. Pad commissioning followed construction and the Electron vehicle was rolled out from the MARS PPF to the pad in March 2020. Virginia Space and Rocket Lab engineers and technicians carried out a range of successful integrated systems tests to verify launch systems on Electron and on the ground systems at LC-2. The critical checks included raising Electron vertical on LC-2 for the first time, activating and tuning pad fluid systems, power and communication checkouts as well as RF testing with the range. The test campaign concluded with a hot ignition test of the nine Rutherford engines on Electron's first stage.

In addition to Monolith, Rocket Lab was also selected by NASA as the launch provider for a lunar small satellite mission as part of the Artemis Program. This Cislunar Autonomous Positioning System Technology Operations and Navigation Experiment CAPSTONE mission will be launched from LC-2 at the MARS Spaceport in 2021.

Significant Events (Continued)

MARS UAS Airfield

Mission Cadence and on-site customer numbers have increased, as well as operational support for Virginia Space's Unmanned Aerial Systems Airfield. The high performance of the Airfield and its operations, with support from the Commonwealth of Virginia, continue to draw visibility from the DoD, NSWC, HSCWA and other high-level military operations groups. The site has developed and succeeded in meeting operational goals and customer requests for UAS and will continue to develop operational capabilities for USVs (Unmanned Surface Vehicles), USSVs (Unmanned Subsurface Vehicles), and UGVs (unmanned Ground Vehicles).
The highlight of Airfield operations for the year was the HSC-22 Squadron out of the HSCWA (Helicopter Sea Combat Wing Atlantic) conducting detachments #4, #5, #6, and #7. These four detachments brought with them one to two MH-60s Seahawk Manned Helicopters which achieved high training runs with the MQ-8B Fire Scout, further integrating manned and unmanned operations with our military. Each detachment brought with them fifty to seventy sailors for operational support of the aircraft. The training regimens consisted of pilot training, co-pilot training, gunner and ordnance training, and reconnaissance and surveillance training. The NSWC (Naval Special Warfare Command) peaked interest sending multiple Special Operations Teams to the site, to integrate with the Fire Scout for training and practice Direct Action operations, Field Medic Operations, and surveillance and air support for the teams during operations. All operations were conducted safely and successfully from the UAS Airfield, with continued request for usage for future operations. HSCWA with HSC-22 continues to park the Mobile Mission Control Station at the ramp on the Airfield for future and continued flight operations. The NAVY has spiked interest in executing a year to year contract for the Airfield, ensuring continued operations and support of our military.

Other UAS operations at the Airfield include NRL (Naval Research Lab) Puma Flight Platform, who plan to come back in FY21 for Helios operations, along with several smaller scale sUAS (small UAS) flights in support of training and STEM outreach programs.

Site upgrades and improvements to support operations include a mobile lavatory, helicopter wash pad and water tank, antenna tower support davit hoist, antenna tower support extension platform, ready service lockers for ordnance and munitions storage, LCS ship deck mockup line striping on runway for landing practice, and working in conjunction for a fiber pathway through the marsh to the main base for high level communications capabilities.

Seaport Development

Virginia Space progressed in its development of a multi-purpose seaport adjacent to the MARS UAS Airfield. The project has been designated a Marine Highway Project (MHP) by the US Maritime Administration (MARAD) as a part of the M-95 Marine Highway Route. This designation allowed Virginia Space to apply and be awarded an FY19 MHP grant in the amount of $96,425 for the engineering and design of landside improvements associated with the project. In addition to the MHP grant, Virginia Space also submitted an application for the DOT's FY20 BUILD grant program to fund the pier construction efforts and is awaiting results. The pier and navigational approach channel are both in the early design phases and continue towards the project goals of supporting both maritime unmanned testing and providing access for barge services directly to the Spaceport on Wallops Island. In order to satisfy the obligations set forth in the National Environmental Policy Act of 1969, Virginia Space, in coordination with NASA, has funded an Environmental Assessment (EA) to study the environmental impacts of the proposed project. This work includes several field studies and modeling to ensure compliance with Federal statutes such as the Endangered Species Act, National Historic Preservation Act, and Coastal Zone Management Act. It is anticipated that both the design and environmental work will continue for approximately one more year.

Significant Events (Continued)

ThinSats

The Virginia Space ThinSat program celebrated its inaugural launch aboard Antares on April 17, 2019, launching sixty student-research focused ThinSats into Extreme Low Earth Orbit. This mission was an overall success, involving nearly 600 students nation-wide. In FY20 lessons learned from the first mission were considered and incorporated into plans for the next mission, currently scheduled for Q1 FY21 aboard Antares. This mission will reduce the number of payloads to 42 as a result of design and engineering changes made to the ThinSat. Students across the program will receive inflight data on the internet-based, purpose built, Space Data Dashboard and use that data to prove and expand upon the science they performed on the ground prior to flight. Additionally, the Program is excited to be flying several custom payloads built by our more senior participants.

MARS Payload Processing Facility

The MARS Payload Processing Facility was formally opened with a Ribbon Cutting ceremony on July 11, 2019. Since becoming operational the world-class MARS PPF has become an essential asset for the Spaceport, providing the required security, crane, HVAC, cleanliness, and other specialized systems needed for critical national security and scientific missions. Not long after becoming operational, the MARS PPF proved its intended and necessary capabilities for the Spaceport through support for multiple and simultaneous missions within the facility for different customers. Northrop Grumman and their US Air Force and NRO customers moved into the MARS PPF in late December 2019, using the facility for both payload and vehicle processing in support of the NROL-129 mission in July 2020. Additionally, Rocket Lab delivered their first Electron Launch Vehicle to the US where it arrived at the MARS PPF in January 2020 for integration and processing. The MARS PPF has since also been outfitted with an additional control room to support launch operations for Rocket Lab's first mission from Wallops.

Additional STEM Activities

Despite COVID-19 impacts, Virginia Space continued its internship program in 2020 for the ninth year of the program. A recruitment process brought three technical interns from the Eastern Shore Community College (ESCC) for the twelve-week summer internship program at the Spaceport. Program highlights from the 2020 summer included supporting the NROL-129 Minotaur launch from Pad 0B, assisting in the revamping of the inventory system, AutoCAD work, and building electrical control boxes for Pad 0C. Virginia Space also had an engineering intern for six months from Rensselaer Polytechnic Institute, who assisted with creating an interactive map of Pad 0A for troubleshooting purposes, as well as contributed to an integrated systems schematic for Pad 0C. Students noted they were excited to be a part of the program and get hands-on industry experience.

Additional STEM activities involved supporting the Virginia Space Coast Scholars (VSCS), a program under the umbrella of the Virginia Space Grant Consortium, which is a coalition of five Virginia colleges and universities, NASA, state educational agencies, Virginia's Center for Innovative Technology, and other institutions representing diverse aerospace education and research. Through virtual tours of MARS facilities three groups of forty-three highly motivated tenth grade Virginia students, along with science teachers, undergraduate students and staff, received an up-close look at MARS operations and the Virginia Space mission. It was an excellent opportunity to engage with science-focused students while promoting the Spaceport and encourage students to pursue the company's well-established internship program.

(Continued)

Significant Events (Continued)

Additional STEM Activities (Continued)

Virginia Space annually supports the Virginia Space Flight Academy, a Wallops area non-profit organization that promotes STEM education by providing six weeks of co-ed residential summer camps for youths aged 11-16 years. In the past, Virginia Space has supported the VSFA by providing four scholarships annually and tours of the Mid-Atlantic Regional Spaceport to build enthusiasm and encouragement in science, technology and engineering. However, due to the COVID-19 pandemic, the 2020 summer camp was cancelled. Virginia Space continued its financial support of the non-profit to help safeguard the camp for future students. The Director of MARS also serves on the Board of Directors for the Academy, providing direct support and guidance from Virginia Space for the space camp.

Virginia Space also supported the 2019 Apollo 50 Youth Art Contest, which garnered over 600 participating pre-kindergarten to twelfth grade students, aimed to inspire art through the celebration of Apollo as we push towards returning to the Moon and on to Mars. The contest was designed to encourage students to use the elements of art to help them understand and explore the role of the Apollo missions in NASA's advancements in human space exploration. Along with an opening ceremony and awards presentation, all the art was displayed at NASA's Wallops Flight Facility Visitor Center July 18 through September 7, 2019.

External Relations

External Relations efforts for FY20 were challenged by COVID-19 restrictions. Trade show and symposium participation was severely curtailed and Wallops Island access was limited to mission-essential personnel only. Fortunately, the launches in FY20 took place before restrictions were enacted, and most of the fiscal year was filled with special events support, speaking opportunities, tours of the MARS infrastructure, and legislative efforts to maintain funding streams.

The aerospace industry accomplishes extensive outreach and relationship-building during trade shows and symposiums. With the advent of the coronavirus, organizers cancelled in-person gatherings and scrambled to adopt virtual platforms. The 36th Space Symposium and AUVSI Xponential were cancelled and the 22nd Annual Small Payload Ride Share Association Symposium shifted to an online event to take place in early FY21. Virginia Space was able to participate in the Rapid Space Launch Initiative (RSLI) Industry Day, the 33rd Annual SmallSat Symposium, and the annual Governor's Transportation Conference.

External Relations special events for FY20 included a ribbon cutting ceremony for the MARS PPF, a pad activation ceremony for LC-2, and two Northrop Grumman Antares rocket launches for cargo resupply to the ISS. Celebrating construction completion of the MARS PPF, Governor Ralph Northam, joined by Virginia Secretary of Transportation Shannon Valentine, NASA GSFC Director Chris Scolese, NASA WFF Director Dave Pierce, CEO and Executive Director Dale Nash, and Delegate Rob Bloxom, cut the ribbon on the MARS PPF. The Governor also operated the 30 ton, 60' high lift crane in the High Bay as the first official user of the MARS PPF. To celebrate the other major infrastructure project of FY20, External Relations teamed with Rocket Lab to host an official LC-2 Pad Activation Ceremony for media and stakeholders on December 12, 2019.

Legislative affairs activity at both the state and federal level encompassed tours of the MARS infrastructure, support of launch viewings, and efforts to maintain funding streams despite the challenges presented by COVID-19 interruptions.

On the federal level, congressional staff and members as well as federal agency representatives (FAA, NASA, DOD, etc.) were engaged independently as well as through coalition memberships with the Space Transportation Association and the Commercial Spaceflight Federation. Virginia Space supported staff and member trips from DC to Wallops Flight Facility twice last summer and fall with both the Space Transportation Association and the NASA Caucus touring NASA WFF and MARS.

(Continued)

Significant Events (Continued)

External Relations (Continued)

For the first time, funding was received for spaceports improvements in both the FY 2020 Senate Defense Appropriations Bill and the House Defense Appropriations Bill. As in previous years, MARS secured $5M for security and infrastructure enhancements out of the $10M awarded.

The Virginia General Assembly maintained the $15.8M funding level in FY20 pursuant to the provisions of Chapters 779 and 817, 2012 Session of the General Assembly to support the maintenance and operations of VCSFA. In addition, the Commonwealth Transportation Board was authorized to transfer two TPOFs from the Transportation Trust Fund to the Commonwealth Space Flight Fund. The first legislated TPOF for $5M was designated to improve existing waterfront facilities for multimodal unmanned vehicle test operations, including small barge and research vessel access, and for the removal of trees adjacent to the existing airfield. The second TPOF in the amount of $2.5M was for the completion of launch pad LC-2.

With the passing of the Governor's Transportation Omnibus bill HB1414 in the regular session of the Virginia General Assembly this year, funding streams will look different moving forward as HB1414 brings structural changes to the transportation funding system in the Commonwealth. Most transportation revenues are now directed to a new Commonwealth Transportation Fund and the existing Highway Maintenance and Operating Fund. Funds will then be disbursed, based on codified formulas, to sub funds established to meet the varying transportation needs of different modes of transportation. It is proposed that Virginia Space will receive operating funds from a 1% annual transfer from gas taxes directed to this new Commonwealth Transportation Fund. It is also proposed that Virginia Space will receive two legislated TPOFs—one in the amount of $2.5M for construction of a hangar for unmanned vehicle operations and the other for $5M to support the development of an improved launch team maintenance facility complex. However, due to the challenges presented by COVID-19 interruptions, approval of the Commonwealth budget is delayed until the conclusion of the 2020 Special Session of the Virginia General Assembly. Until the Governor's budget is approved for adoption, Virginia Space allocations for FY21 may change.

CEO and Executive Director Dale Nash continues to lead Virginia Space and provide insight and input into both national and international space policy as a subject matter expert on spaceport operations. Representing the interests of commercial spaceports in the United States, Mr. Nash routinely attends meetings of the National Space Council led by Vice President Mike Pence and serves on the FAA AST Commercial Space Transportation Advisory Committee (FAA AST COMSTAC). As part of the Infrastructure Working Group, he provides economic, technical and institutional expertise to develop effective regulations for competitive commercial launch operations.

Contacting the Authority's Financial Management

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

VIRGINIA COMMERCIAL SPACE FLIGHT AUTHORITY

STATEMENT OF NET POSITION
June 30, 2020

ASSETS		
CURRENT ASSETS		
Cash	$	14,325,620
Accounts receivable		617,719
Other current assets, prepaid expenses		977,673
Total current assets		15,921,012
NONDEPRECIABLE CAPITAL ASSETS		
Construction-in-progress (Note 3)		19,857,350
DEPRECIABLE CAPITAL ASSETS, NET ACCUMULATED DEPRECIATION (Note 3)		
Launch pad facilities		124,755,410
UAS Airfield		5,984,532
Machinery and equipment		2,635,986
Building		32,370,858
Computer equipment		228,838
Land improvements		175,000
Software		158,945
Office furniture		26,053
		166,335,622
Accumulated depreciation and amortization		(36,450,513)
		129,885,109
	$	165,663,471
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	3,499,662
Unearned revenue		2,118,696
Software license payable, current portion		52,982
Total current liabilities		5,671,340
NONCURRENT LIABILITIES		
Software license payable, less current portion		17,346
Total liabilities		5,688,686
NET POSITION		
Net investment in capital assets		149,672,131
Restricted for:		
Mid-Atlantic Regional Spaceport Facilities		4,740,169
Unrestricted		5,562,485
Total net position		159,974,785
	$	165,663,471

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

VIRGINIA COMMERCIAL SPACE FLIGHT AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2020

OPERATING REVENUES		
Launch support revenue - private	$	7,656,138
Commercial launch fees		3,300,000
Payload processing fees		940,000
Federal		80,146
Interest		231,911
Total operating revenue		12,208,195
OPERATING EXPENSES		
Subcontract services		12,404,357
Administration		10,066,395
Depreciation and amortization		5,877,890
Other		1,873,453
Total operating expenses		30,222,095
Net operating loss		(18,013,900)
NONOPERATING REVENUES (EXPENSES)		
State appropriation		23,300,000
State grant		1,666,668
Federal contracts		6,397,954
Private contracts		1,431,170
Expenses related to nonoperating activities		(2,345,409)
Total nonoperating revenues		30,450,383
Change in net position		12,436,483
Net position, beginning of year		147,538,302
Net position, end of year	$	159,974,785

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

VIRGINIA COMMERCIAL SPACE FLIGHT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

OPERATING ACTIVITIES		
Cash received from customers	$	12,879,223
Cash paid to employees		(7,853,637)
Cash paid to suppliers		(13,366,288)
Net cash used by operating activities		(8,340,702)
NONCAPITAL FINANCING ACTIVITIES		
Cash received from state appropriation		15,800,000
Cash paid to employees on nonoperating projects		(2,161,208)
Cash payments for nonoperating contracts		(3,301,867)
Net cash provided by noncapital financing activities		10,336,925
CAPITAL FINANCING ACTIVITIES		
Cash received from state appropriation		7,500,000
Cash received from federal contracts		7,203,189
Cash received from private contracts		2,908,000
Principal payments on software license payable		(51,445)
Investment in construction-in-progress		(13,234,278)
Investment in capital assets		(2,536,112)
Net cash provided by capital financing activities		1,789,354
Net increase in cash		3,785,577
CASH		
Beginning of year		10,540,043
End of year	$	14,325,620
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net operating loss	$	(18,013,900)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation and amortization		5,877,890
Changes in current assets and liabilities:		
Increase in accounts receivable		(570,838)
Increase in other current assets		(617,941)
Increase in accounts payable and accrued expenses		843,247
Increase in unearned revenue		1,241,866
Net change in due to/from Old Dominion University Research Foundation		2,898,974
Net cash used by operating activities	$	(8,340,702)

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

1. Organization and Nature of Activities

Virginia Commercial Space Flight Authority (Authority) was established as a political subdivision of the Commonwealth of Virginia, by Chapter 758 of the 1995 Acts of Assembly. It operates as an independent entity in accordance with the provisions of the *Code of Virginia, Title 2.2, Chapter 22, Sections 2.2-2201 et.sequence* as amended. The Authority's legislated purpose is to promote industrial and economic development and scientific and technological research and development through the development and promotion of the commercial and government aerospace industry. A Board of Directors, composed of 9 members, manages the Authority.

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

2. Summary of Significant Accounting Policies

Financial reporting entity

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

Basis of accounting

The Authority's records are maintained on the accrual basis whereby revenue is recognized when earned and expenses are recognized when the liability is incurred.

Credit risk

At June 30, 2020, the entire cash balance of $14,325,620 was covered by the Federal Deposit Insurance Corporation (FDIC) or 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 amount insured by the FDIC 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.

Concentrations

The primary source of operating revenue is from launch fees and operations support with one commercial customer that has contracted with the Authority. This customer represents 99% of the total of launch support revenue - private and commercial launch fees on the statement of revenue, expenses, and changes in net position.

In addition, the Authority receives significant Federal and State support to maintain and construct infrastructure assets.

2. Summary of Significant Accounting Policies (Continued)

Accounts receivable and allowance for doubtful accounts

Receivables include amounts due from contracts and grants for reimbursable expenditures in excess of receipts at year-end. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenue net of uncollectibles, if any. Allowances are reported when accounts are proven to be uncollectible. At June 30, 2020, management believes all accounts receivable are fully collectible; therefore, there was no allowance for doubtful accounts.

Unearned revenue

Unearned revenue primarily includes contract funds received but not earned due to contract milestones that will be met in fiscal year 2021.

Classification of revenue and expenses

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

Operating revenue and expenses generally represent the launch fees and launch support revenue received under private contracts and the cost of the overall administration of the Authority and the depreciation and amortization of its capital assets. Nonoperating revenue and expenses generally relate to funds received from private, state and federal cooperative agreements associated with the development of space launch and UAS capabilities.

Restricted net position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority's policy is to apply restricted net position first.

During the fiscal year-ended June 30, 2020, the Authority received $7,500,000 of appropriations from the Commonwealth of Virginia restricted for the construction of Mid-Atlantic Regional Spaceport Facilities ($2.5 million for Launch Pad LC-2 and $5 million for improvement of the waterfront facilities and UAS facilities). At June 30, 2020, $2,759,831 was invested in these projects. As the Mid-Atlantic Regional Spaceport Facilities project was ongoing at year-end, the $4,740,169 of unexpended funds are considered restricted at June 30, 2020.

3. Capital Assets

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

	Balance July 1, 2019	Acquired Increased	Disposals (Decreased)	Balance June 30, 2020
Nondepreciable capital assets:				
Construction-in-progress	$ 37,454,120	$ 15,650,867	$(33,247,637)	$ 19,857,350
Depreciable capital assets:				
Launch pad facilities	124,042,749	712,661	-	124,755,410
UAS Airfield	5,952,556	31,976	-	5,984,532
Machinery and equipment	2,163,780	499,093	(26,887)	2,635,986
Building	255,347	32,115,511	-	32,370,858
Computer equipment	220,919	7,919	-	228,838
Land improvements	175,000	-	-	175,000
Software	158,945	-	-	158,945
Office furniture	31,550	-	(5,497)	26,053
Total depreciable assets	133,000,846	33,367,160	(32,384)	166,335,622
Accumulated depreciation and amortization:				
Launch pad facilities	28,801,568	5,207,151	-	34,008,719
UAS Airfield	344,308	299,073	-	643,381
Machinery and equipment	1,029,762	198,111	(24,452)	1,203,421
Building	12,309	103,067	-	115,376
Computer equipment	185,501	12,845	-	198,346
Land improvements	166,105	3,339	-	169,444
Software	35,321	52,982	-	88,303
Office furniture	27,698	1,322	(5,497)	23,523
Total depreciation and amortization	30,602,572	5,877,890	(29,949)	36,450,513
Total depreciable capital assets, net	102,398,274	27,489,270	(2,435)	129,885,109
Capital assets, net	$ 139,852,394	$ 43,140,137	$(33,250,072)	$149,742,459

3. Capital Assets (Continued)

Construction in process consists of the following:	Incurred through June 30, 2020
Launch Complex 02	$ 15,546,573
Integration Control Facility	3,204,445
Miscellaneous Projects	1,106,332
	$ 19,857,350

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

Launch pad and UAS airfield facilities	7 - 25 years
Machinery and equipment	4 - 15 years
Computer equipment	5 years
Land improvements	15 years
Software	3 years
Office furniture	5 - 7 years
Building	10 years

4. Retirement and Pension Systems

Authority employees receive a fixed contribution of 11 percent of their base salary, which is invested through an Authority sponsored 401(a) Plan. Total Authority contributions to the Plan for 2020 were $715,282, which is included in administration operating expense on the statement of revenue, expenses and changes in net position.

5. Commitments

At June 30, 2020, the Authority occupied office space, an integration control facility, and leased office equipment under various lease agreements with initial periods ranging from two to fifty years through fiscal year 2068.

5. Commitments (Continued)

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

Years Ending June 30,	
2021	$ 329,534
2022	297,523
2023	306,863
2024	316,576
2025	320,103
2026-2030	1,333,112
2031-2035	25,000
2036-2040	25,000
2041-2045	25,000
2046-2050	25,000
2051-2055	25,000
2056-2060	25,000
2061-2065	25,000
2066-2068	15,000
	$ 3,093,711

Total rent expense for 2020 was $610,017 and is included in administration operating expense on the statement of revenue, expenses and changes in net position.

At June 30, 2020, the Authority has contractual commitments of approximately $7.4 million for work remaining to be performed under outstanding contracts, approximately $5.6 million of which will be reimbursable under separate private and federal contract agreements, and approximately $500,000 of which are funded by the Commonwealth of Virginia.

6. Virginia Commercial Space Flight Authority Risk Management Plan

The Authority is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The employees, directors, and agents of the Authority were insured for these risks under a self-insured liability plan, VaRISK 2, administered by the Commonwealth of Virginia's Department of Treasury, Division of Risk Management with liability limits of $1,000,000 for each occurrence. In addition to the coverage provided by VaRISK 2, the Authority has General Liability coverage through a commercial policy issued by XL Specialty Insurance Company of Exton, PA with an insurance limit of $25,000,000. The Authority also has property insurance through Travelers Insurance Company with coverage in the amount of $1,850,000 for the Norfolk, Wallops Island and Decoy Square offices and the Integration Control Facility. The policy covers the Authority business personal property from perils such as fire, flood, earthquake, windstorms, and equipment breakdown. The Authority also has property insurance through Lexington Insurance Company with coverage in the amount of $28,000,000 for the Payload Processing Facility and $1,000,000 for the UAS Airfield Hangar. The policy covers the Authority business personal property from perils such as fire, flood, earthquake, windstorms, and equipment breakdown. The Authority maintains its own insurance coverage for health and workers compensation; there is no self-insurance.

Orbital Sciences Corporation (Orbital) has also agreed to maintain insurance in amounts set forth in the Federal Aviation Administration (FAA) launch license to cover loss of or damage to U.S. Government and Commonwealth of Virginia facilities or property (including Authority facilities) that arises from licensed launch activities. This insurance includes $50,000,000 minimum coverage for loss or damage arising from licensed launch activities as defined under applicable FAA regulations. The Authority is listed as an additional insured party on such insurance. In addition, Orbital, at no cost to the Authority, has obtained insurance with $100,000,000 coverage for damage to Commonwealth of Virginia facilities and property (including Authority facilities), which loss or damage arises directly from Orbital's performance under the Launch Site Access and Operations Support Agreement, but does not arise from licensed launch activities as defined under applicable FAA regulations. $25,000,000 of the $100,000,000 coverage is dedicated to special hazards coverage, including flooding, named storms and earthquakes. The non-launch property insurance extends through December 31, 2024 on the condition that Orbital continues to launch the Antares vehicle from the Wallops Flight Facility through that date. The Authority is also listed as an additional insured party on such insurance.

7. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statement which is not yet effective. The effective date below is updated based on Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* due to the COVID-19 pandemic.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

Management has not determined the effects this new GASB Statement may have on prospective financial statements.

8. Subsequent Event

In December 2019, a novel strain of Coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 Outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Authority's customers, employees and venders all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority's financial condition or results of operations is uncertain.

COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

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 Board of Directors
Virginia Commercial Space Flight Authority
Norfolk, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specification for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Virginia Commercial Space Flight Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Virginia Commercial Space Flight Authority's basic financial statements, and have issued our report thereon dated September 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Commercial Space Flight 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Commercial Space Flight Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Commercial Space Flight Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 23, 2020

VIRGINIA COMMERCIAL SPACE FLIGHT AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2020

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

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Conflicts of Interest Act

Uniform Disposition of Unclaimed Property Act

OTHER INFORMATION

VIRGINIA COMMERCIAL SPACE FLIGHT AUTHORITY

Norfolk, Virginia

AUTHORITY OFFICIALS

BOARD MEMBERS
(through fiscal year ended June 30, 2020)

Jeff Bingham, Chairman

Edward Bolton, Jr.	Mark Flynn
Morris Foster	Marke Gibson
James McArthur, Jr.	Linda Thomas-Glover
Kathryn Thornton	Shannon Valentine

Dale Nash, CEO and Executive Director