



Virginia Commercial Space Flight Authority

(A Component Unit of the Commonwealth of Virginia)

Financial Report

June 30, 2024

Virginia Commercial Space Flight Authority

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Independent Auditor's Report

To the Board of Directors of
Virginia Commercial Space Flight Authority
(A Component Unit of the Commonwealth of Virginia)
Norfolk, Virginia

Report on the Audit of the Financial Statements

Opinion

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, 2024, 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.

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, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Virginia Commercial Space Flight Authority and to meet our other 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Virginia Commercial Space Flight 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 opinion. 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 Virginia Commercial Space Flight 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 Virginia Commercial Space Flight 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of Authority officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2024, 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 the effectiveness of the Virginia Commercial Space Flight 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 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 10, 2024

Virginia Commercial Space Flight Authority

Management’s Discussion and Analysis – (Unaudited)

June 30, 2024

The management of the Virginia Commercial Space Flight Authority (Authority or VSA), 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, 2024. 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 an 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, 2024. 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.

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Assets:			
Current assets	\$ 84,310,920	\$ 56,671,387	\$ 27,639,533
Construction-in-progress	40,927,179	17,965,311	22,961,868
Land	550,000	550,000	-
Depreciable capital assets, net	135,262,686	132,818,552	2,444,134
Other noncurrent assets	<u>759,844</u>	<u>868,581</u>	<u>(108,737)</u>
Total assets	<u>\$261,810,629</u>	<u>\$208,873,831</u>	<u>\$ 52,936,798</u>
Liabilities:			
Current liabilities	\$ 19,683,251	\$ 4,336,450	\$ 15,346,801
Noncurrent liabilities	<u>2,791,855</u>	<u>1,963,269</u>	<u>828,586</u>
Total liabilities	<u>\$ 22,475,106</u>	<u>\$ 6,299,719</u>	<u>\$ 16,175,387</u>

Virginia Commercial Space Flight Authority
Management’s Discussion and Analysis – (Unaudited)
June 30, 2024

Deferred Inflow of Resources:			
Deferred lease receivable	\$ 788,000	\$ 909,230	\$ (121,230)
Net Position:			
Net investment in capital assets	\$168,517,997	\$148,944,792	\$ 19,573,205
Restricted for:			
Mid-Atlantic Regional Spaceport Facilities	45,931,760	39,021,598	6,910,162
Accomack County Regional Airport Hangar	891,687	907,275	(15,588)
Unrestricted	<u>23,206,079</u>	<u>12,791,217</u>	<u>10,414,862</u>
Total net position	<u>\$238,547,523</u>	<u>\$201,664,882</u>	<u>\$ 36,882,641</u>

The \$27,639,533 increase in current assets is primarily driven by a significant rise in cash, totaling \$23,520,588. This increase is largely attributable to a \$20,000,000 appropriation received for the modification of launch pad 0A, which is being adapted to accommodate a new rocket currently under design by one of our launch customers. Additionally, we received a \$11,000,000 Transportation Partnership Opportunity Fund (TPOF) grant designated for the purchase of real property on Wallops Island, intended for the expansion of the Spaceport.

As of this report, the purchase of the real property is still under negotiation, leaving the \$11,000,000 unspent and reflected in our current cash position. Furthermore, we are in the process of executing several other major infrastructure projects, funded by appropriations received in prior fiscal years.

The \$22,961,868 increase in construction-in-progress is primarily due to several significant capital projects currently in progress. These projects are centered around key facility upgrades and expansions, which are essential to our ongoing efforts to enhance and modernize our spaceport infrastructure. The primary drivers of this increase include:

- **FY22 and FY23 Spaceport Enhancement Projects:** These projects encompass Launch Complex FGSE (Facility Ground Support Equipment) enhancements and other strategic infrastructure improvements.
- **Modifications to Launch Pad 0A:** These modifications are being implemented to support the launch of a new rocket, which is currently under design by one of our launch customers.
- **Construction of Launch Pad 0D:** This new launch pad is being constructed to increase our launch capacity and accommodate future missions.
- **Assembly, Integration, and Test Facility:** This new facility is being built to handle the assembly, integration, and testing of rockets and spacecraft, addressing the growing demand from our customers.

These initiatives underscore our commitment to expanding our capabilities and ensuring that our infrastructure meets the evolving requirements of the aerospace industry. They collectively account for the substantial increase in construction-in-progress reported during this period.

The \$2,444,134 increase in capital assets is primarily due to the acquisition of MARSCOM, the Virginia Space Authority’s (VSA) central launch operations facility. This secure office building, located just outside the NASA Wallops Flight Facility, plays a critical role in our operations. It includes a state-of-the-art spaceport control center, large meeting rooms, and segregated, dedicated customer spaces designed to support our growing customer base and operational needs.

The purchase of MARSCOM enhances our infrastructure, providing a centralized and secure location for managing launch operations, which is essential for our expanding activities. This strategic investment is the key driver behind the increase in capital assets reported during this period.

Virginia Commercial Space Flight Authority

Management's Discussion and Analysis – (Unaudited)

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The decrease in other noncurrent assets is the result of the reduction of the lease receivable as revenue is recognized.

The \$15,346,801 increase in current liabilities is primarily driven by two key factors:

- **Increase in Accounts Payable:** This rise is directly related to the execution of the numerous capital projects previously described. As these projects progress, the associated expenses have led to a higher balance in accounts payable.
- **Deferred Revenue from Transportation Partnership Opportunity Fund Grant:** We have recorded \$11,000,000 as deferred revenue, reflecting the Transportation Partnership Opportunity Fund grant received for the purchase of real property on Wallops Island. Since the property acquisition is still under negotiation, this amount remains unspent and is thus recognized as deferred revenue.

These factors together account for the significant increase in current liabilities during this period.

The increase in noncurrent liabilities is primarily due to the mortgage obtained for the purchase of MARSCOM, our central launch operations facility, as previously mentioned. This long-term debt was necessary to finance the acquisition of this critical asset.

The increase in unrestricted net position is primarily attributable to the positive change in net position for the fiscal year, excluding funds specifically restricted for the Mid-Atlantic Regional Spaceport Facilities and the Accomack County Regional Airport Hangar.

Additionally, the increase takes into account depreciation charges and is offset by further investments in capital assets made during the period. These factors combined have resulted in a net increase in our unrestricted net position, indicating a strengthened financial standing.

The increase in restricted net position is a result of the \$20,000,000 appropriation for the modification of Pad 0A which is included in Mid-Atlantic Regional Spaceport Facilities.

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, Unmanned Aerial Systems (UAS) Airfield activities, Payload Processing Facility (PPF) activities, cost of overall administration of the Authority and depreciation and amortization of its capital assets. Nonoperating revenue and expenses generally relate to interest received on our bank balance, 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.

Virginia Commercial Space Flight Authority
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The following schedule compares the revenue, expenses and net assets for the current and previous fiscal year.

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Total operating revenue	\$ 5,704,558	\$ 12,301,028	\$ (6,596,470)
Total operating expenses	<u>(35,164,778)</u>	<u>(40,844,027)</u>	<u>5,679,249</u>
Net operating loss	(29,460,220)	(28,542,999)	(917,221)
Total nonoperating revenue	<u>66,342,861</u>	<u>57,443,129</u>	<u>8,899,732</u>
Change in net position	36,799,778	28,900,130	7,982,511
Net position, beginning of year	<u>201,664,882</u>	<u>172,764,752</u>	<u>28,900,130</u>
Total net position, end of year	<u>\$238,547,523</u>	<u>\$201,664,882</u>	<u>\$ 36,882,641</u>

The decrease in operating revenue of \$6,596,470 is primarily attributable to the timing of the last Antares launch (NG-19), which took place on August 2, 2023, early in this fiscal year. Following this launch, we have shifted focus to a significant project involving the modification of the launch pad to accommodate a new rocket currently under design. As a result, our annual launch cadence has been dramatically reduced during this period, leading to the decline in operating revenue.

This decrease reflects the temporary reduction in launch activity as we prepare for future missions with the new rocket, which will ultimately restore and potentially increase our launch schedule in the coming years.

The reduction in operating expenses is primarily attributable to a decreased launch cadence, as detailed in the preceding sections of this report. The lower frequency of launches reduced variable costs, including labor, logistics, and related overhead expenses.

The increase in nonoperating revenue of \$8,899,732 is primarily driven by several significant factors:

- **Reimbursable Agreement for the Assembly, Integration, and Test Facility:** The largest contribution to the increase in nonoperating revenue was \$11,398,700 earned through a reimbursable agreement. This revenue was generated from constructing the Assembly, Integration, and Test Facility, reflecting the progress made in this critical infrastructure project.
- **Increased Federal Award for Spaceport Enhancements:** The Federal award allocated for Spaceport Enhancements in FY24 exceeded prior year allocations. This fiscal year saw the concurrent execution of the new award alongside the completion of a prior year’s award, resulting in higher revenues associated with this program.
- **Appropriation for Pad 0A Modifications:** In FY23, a \$30,000,000 appropriation was received to construct a new launch pad, leading to significant revenue recognition. However, in FY24, this appropriation contributed \$20,000,000, marking a \$10,000,000 reduction in nonoperating revenue compared to the previous year.
- **Reduction in Commonwealth Appropriation:** A \$1,640,600 reduction in our regular Commonwealth appropriation, which is tied to a percentage of the Transportation Trust Fund, also impacted nonoperating revenue. The lower appropriation in FY24 compared to the prior year resulted from reduced allocations from this fund.

These factors collectively explain the substantial rise in nonoperating revenue during this period, reflecting the increased funding and activity associated with major infrastructure projects.

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

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Management’s Discussion and Analysis – (Unaudited)
June 30, 2024

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, PPF 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 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 Mid-Atlantic Regional Spaceport (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 from an appropriation from the Commonwealth of Virginia for MARS facilities enhancements. The primary uses of cash flows from capital financing activities were for investment in construction in progress and capital assets.

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Cash flows used by operating activities	\$ (21,055,425)	\$ (20,199,776)	\$ (855,649)
Cash flows provided by noncapital financing activities	21,536,917	23,090,809	(1,553,892)
Cash flows provided by capital financing activities	<u>23,039,096</u>	<u>20,929,354</u>	<u>2,109,742</u>
Net change in cash	<u>\$ 23,520,588</u>	<u>\$ 23,820,387</u>	<u>\$ (299,799)</u>

Cash flows used by operating activities increased \$855,649 due to an increase in labor related expenses that increased the cash paid to employees.

Cash flows provided by noncapital financing activities decreased \$1,553,892 as a result of a reduction in our regular Commonwealth appropriation as previously discussed.

Cash flows provided by capital financing activities increased \$2,109,742 due to an increase in interest income earned on bank balances.

Capital Assets

The Authority’s capital assets consist primarily of Launch Pad 0A, Launch Pad 0B, Launch Pad 0C at the MARS, the Integrated Control Facility, UAS Airfield and the PPF, and related support machinery and equipment.

Significant Events

Introduction

The Virginia Commercial Space Flight Authority (VCSFA), dba Virginia Spaceport Authority (VSA), is a political subdivision of the Commonwealth of Virginia responsible for promoting economic growth and development of aerospace activities in the Commonwealth.

VSA owns and operates the Mid-Atlantic Regional Spaceport (MARS). MARS is located on the National Aeronautics and Space Administration (NASA) Wallops Flight Facility (WFF), Wallops Island, Accomack County, Virginia. VSA engages with NASA through a renewable Space Act Agreement that includes range activities, land use for MARS, and other services. MARS is licensed by the Federal Aviation Administration (FAA) Office of Commercial Space Transportation for vertical, orbital launch for small and medium class vehicles.

Virginia Commercial Space Flight Authority

Management's Discussion and Analysis – (Unaudited)

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Roosevelt “Ted” Mercer Jr., Major General, USAF (ret), is the Chief Executive Officer and Executive Director of VSA. Mr. Mercer serves as a member of several government advisory boards, including the FAA’s Commercial Space Transportation Advisory Committee, the U.S. Space Force’s Spaceport Directors’ Council, the National Space Council’s Users Advisory Group, and the Commonwealth of Virginia Governor’s Aerospace Advisory Council.

VSA is headquartered in Norfolk, but the majority of VSA employees work at MARS.

FY24 was a year of transition for the spaceport with multiple simultaneous construction and expansion projects that will yield a higher launch cadence and an increase in operations beginning in calendar year 2025.

Mid-Atlantic Regional Spaceport

The Mid-Atlantic Regional Spaceport consists of three launch pads with a fourth currently under construction, a UAS airfield, a Payload Processing Facility (PPF), the MARS Industrial Complex (MIC), an Integration and Control Facility (ICF), the Addison Logistics Building, and the MARS Command Building (MARSCOM).

Launch Pads

MARS has three operational launch pads located within Launch Complex 0: Pad 0A, Pad 0B, and Pad 0C.

Pad 0A, a launch pad that supports medium-class rockets, is comprised of a cryogenic liquid fuel facility with an automated commodities system, fortified launch mount, robust electrical and environmental control systems, and a gravity-fed freshwater deluge system.

Pad 0B, a secure launch pad that supports small-class rockets, is comprised of a launch stool, moveable service structure, launch equipment vault, lightning protection system, and environmental control system.

Pad 0C supports small-class liquid vehicles. Like 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 a rotating hydraulic launch mount and strong back structure.

UAS Airfield

The UAS Airfield is located on the north end of WFF with a 3,000’x75’ runway and fully environmentally controlled hangar space. The airfield is located within the R-6604 airspace, granting customers access to the government-controlled airspace as well as direct access to offshore maritime environments for testing in saltwater marine conditions.

Payload Processing Facility

The Payload Processing Facility is at the north end of WFF with approximately 18,000 square feet of compartmented usable processing area. The PPF includes a main processing bay for vertical spacecraft test and integration and fueling, a high bay airlock, adjacent cleanrooms with rideshare bay, equipment airlock, and propellant conditioning bay. The low bay side of the facility has an airlock and space for horizontal launch vehicle processing.

MARSCOM

MARSCOM is VSA’s central launch control operations facility. This secure office building directly outside the NASA Wallops Flight Facility includes a spaceport control center, large meeting rooms, and segregated/dedicated customer space.

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Integration Control Facility (ICF)

The ICF supports small launch vehicle operations and is currently leased by Rocket Lab. It contains space for horizontal integration of launch vehicles, non-hazardous processing and encapsulation of spacecraft, and control and support staffing space for the launch vehicle provider.

Addison Logistics Building

The Addison Logistics Building is an off-site warehouse and office space used for all logistical operations, document control, and engineering overflow. The facility has environmentally controlled office space and storage for critical parts and documentation.

Facilities in Development or under Modification

Launch Pad OA

The Commonwealth allocated \$20 million in funding to VSA for modifications to Pad OA to support the launch of new rockets. Work is underway to complete modifications.

Launch Pad OB

MARS Launch Pad OB was offline for operations in FY24 and remained in maintenance mode with no operations conducted other than the standard preventative maintenance tasks and tower roll operations. VSA replaced the rollers on the gantry and upgraded the concrete surface for more efficient operations as the gantry was not rolling smoothly, causing a lag in operation.

Launch Pad OD

Pad OD is currently under construction on the south end of WFF between pad OB and OC. The first customer on Pad OD will be Rocket Lab's Neutron launch vehicle. This launch vehicle is intended to be launched and recovered from the pad and shoreline with the intention for high cadence operations. In FY24 inert gas tank foundations, lox tank foundations, launch mount foundations, site grading and storm water ponds, and a new water tower that will support Pad OD were installed.

Assembly, Integration, and Test Facility

VSA continued construction on the Assembly, Integration, and Test (AIT) facility located on VSA's land adjacent to NASA's Wallops Island Flight Facility gate, for which Rocket Lab will be the first occupant. Final environmental testing has been completed with no observation of concern. The temporary structure was completed in FY24. The first permanent building was 65% percent complete at the end of FY24.

Launch and Facility Operations

Launch Pad OA

Northrop Grumman's Antares 230+ rocket carrying the Cygnus Spacecraft S.S. Laurel Clark successfully launched from Pad OA on August 1, 2023, at 8:31 PM EST. The NG-19 mission delivered more than 8,200 lbs. of research experiments, supplies, and vehicle hardware to the International Space Station (ISS). This launch marked 10 years of Antares rocket launches from MARS, and the final launch of the Antares 230+ rocket. As noted above, modifications to Pad OA are underway to prepare for Northrop Grumman's new Antares 330 and MLV rockets.

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In FY 2024, VSA signed a new customer, Firefly Aerospace, that will launch its Alpha rocket from Pad 0A. Capable of lifting more than 2,200 lbs. to low-Earth orbit, Firefly's flight-proven Alpha rocket utilizes patented propulsion technology and carbon composite structures built with automated machinery to provide a reliable, low cost, responsive solution for the domestic and international launch market.

Launch Pad 0C

On March 1, 2024, at 3:25 a.m. EDT, the NROL-123 "Live and Let Fly" mission launched aboard Rocket Lab's Electron vehicle from MARS Pad 0C. This was the first mission for the National Reconnaissance Office from Pad 0C and the fourth Electron mission from Pad 0C since its inaugural launch in January 2023. Routine maintenance operations are continually underway.

MARS Unmanned Aircraft System (UAS) Airfield Operations

VSA hosted three customers at the UAS Airfield supporting six government programs in FY24. Customers included U.S Army, Johns Hopkins Applied Physics Laboratory, and United States Special Operations Command. While not in operation, one customer's aircraft are stored in VSA's hangar at the airfield.

Space Launch Complex 8

Through a contract with Northrop Grumman, VSA personnel operate the mobile access tower (MAT) at Space Launch Complex 8 (SLC-8) at Vandenberg Space Force Base in California. In FY24, VSA staff travelled to support modifications and testing to prepare for the next launch.

Stakeholder Relations

VSA continues to deploy a robust public awareness and partnership building campaign to inform and educate stakeholders about the spaceport's capabilities, opportunities, and VSA's economic development efforts. Continuing efforts include a series of print and digital outreach campaigns, including a partnership with the Virginia Tourism Corporation, a radio program campaign spanning Virginia's, Maryland's and Delaware's Eastern Shore, and a growing presence in Virginia's public venues, such as museums.

VSA stepped up its digital media activity in FY24, resulting in an increase in followers across Facebook, Instagram, X, and LinkedIn.

Tours of the spaceport is one of the most effective stakeholder engagement tools. In FY24, VSA hosted 200 tours for nearly 1,000 students and teachers; space industry stakeholders; and federal, state, and local government elected officials and staff.

Education and STEM Activities

VSA continues to build enduring partnerships to establish robust student and workforce pipelines for the aerospace industry on the Eastern Shore of Virginia and developing MARS as an educational hub for the Commonwealth. The Chief of Education and Intern Development has increased direct student and educator outreach; expanded the internship program to include high school students, created mentorship opportunities for rocketry teams at multiple Virginia Universities, and supported multiple student and educator field trips to the spaceport.

VSA has ongoing and continually evolving relationships with several universities and educational organizations, including Virginia Tech, the University of Virginia, The College of William and Mary, Virginia Commonwealth University, Norfolk State University, Virginia Space Coast Scholars, Virginia Space Flight Academy, For Kids, multiple library systems, and Operation Smile.

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Outreach to K-12 schools has also increased. As a result, VSA participated in several professional development training sessions to promote the spaceport directly to teachers and educational leaders.

Government Relations

Legislative affairs activity on the local, state, and federal level encompassed in-person and virtual briefings on MARS infrastructure, support of launch viewings, and efforts to promote supportive policies and infrastructure development across local, state, and federal departments and maintain and grow funding streams.

VSA engaged with members of Congress, their staff, and federal agency representatives (FAA, NASA, Department of Defense (DOD), among others) independently and through coalition memberships with the Space Transportation Association, Strategic Forces Association and Cyber, Space and Intelligence Association. VSA worked closely with NASA WFF, Northrop Grumman, and Rocket Lab USA to facilitate launch viewing opportunities and facility tours of the spaceport.

In March 2024, VSA received \$7.964 million from the FY23 U.S. Space Force Spaceport Enhancements Program (SEP) and began executing the associated projects. As a result of congressional engagement, VSA was successful in securing \$25 million for the SEP in the federal FY24 Defense Appropriations Act. As in previous years, VSA anticipates receiving half the overall amount, which will be used to fund security and infrastructure improvements to various VSA operational assets.

VSA successfully worked with the House Armed Services Committee for inclusion in the enacted FY24 National Defense Authorization Act (NDAA) language supportive of DOD's inclusion of the state spaceports in Virginia and Alaska within ongoing national launch range planning and programming activities. VSA also assisted with the introduction of legislation in the Senate that would create a new federal spaceport grant program within the US Department of Transportation. More recently, VSA has been developing and leading engagement regarding the inclusion of spaceports as Department of Homeland Security designated critical infrastructure. VSA has also actively interfaced with other authorizing Committees, including the House Science Committee, House Transportation and Infrastructure Committee, and Senate Commerce Committee.

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.



Basic Financial Statements



Virginia Commercial Space Flight Authority

Statement of Net Position

June 30, 2024

ASSETS

CURRENT ASSETS

Cash	\$ 77,957,861
Accounts receivable	6,107,037
Current portion of lease receivable (Note 3)	108,737
Other current assets, prepaid expenses	137,285
Total current assets	84,310,920

NONDEPRECIABLE CAPITAL ASSETS (Note 4)

Land	550,000
Construction-in-progress	40,927,179
	41,477,179

DEPRECIABLE CAPITAL ASSETS, NET ACCUMULATED

DEPRECIATION AND AMORTIZATION (Note 4)

Launch pad facilities	147,542,104
UAS Airfield	5,984,532
Machinery and equipment	4,989,527
Building	41,884,331
Computer equipment	631,670
Land improvements	175,000
Software	158,945
Office furniture	250,401
Subscription asset (Note 11)	199,532
Lease assets (Note 6)	1,215,142
	203,031,184
Accumulated depreciation and amortization	(67,768,498)
	135,262,686

OTHER NONCURRENT ASSETS

Lease receivable, less current portion (Note 3)	759,844
	\$ 261,810,629

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 8,346,978
Unearned revenue	11,012,888
Current portion of long-term debt (Note 7)	74,500
Current portion of subscription liability (Note 11)	38,124
Current portion of lease liabilities (Note 6)	210,761
Total current liabilities	19,683,251

LONG TERM LIABILITIES

Long-term debt, less current portion (Note 7)	2,175,500
Subscription liability, less current portion (Note 11)	81,888
Lease liabilities, less current portion (Note 6)	534,467
Total liabilities	22,475,106

DEFERRED INFLOWS OF RESOURCES

Deferred lease receivable (Note 3)	788,000
	788,000

NET POSITION

Net investment in capital assets	168,517,997
Restricted for:	
Mid-Atlantic Regional Spaceport Facilities	45,931,760
Accomack County Regional Airport Hanger	891,687
Unrestricted	23,206,079
Total net position	238,547,523
	\$ 261,810,629

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, 2024

OPERATING REVENUES

Launch support revenue - private	\$ 4,153,035
Commercial launch fees	1,009,632
Other	541,891
Total operating revenue	<u>5,704,558</u>

OPERATING EXPENSES

Subcontract services	4,518,664
Administration	17,976,191
Depreciation and amortization	8,346,075
Other	4,323,848
Total operating expenses	<u>35,164,778</u>
Net operating loss	<u>(29,460,220)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriation	42,562,371
State grants	11,398,700
Federal contracts	9,357,147
Private contracts	1,930,000
Interest income	2,195,954
Interest expense	(75,857)
Expenses related to nonoperating activities	(1,025,454)
Total nonoperating revenues	<u>66,342,861</u>
Change in net position	36,882,641

NET POSITION

Beginning of year	<u>201,664,882</u>
End of year	<u><u>\$ 238,547,523</u></u>

Virginia Commercial Space Flight Authority

Statements of Cash Flows

Year Ended June 30, 2024

OPERATING ACTIVITIES

Cash received from customers	\$ 5,533,864
Cash paid to employees	(15,352,591)
Cash paid to suppliers	(11,236,698)
Net cash used by operating activities	<u>(21,055,425)</u>

NONCAPITAL FINANCING ACTIVITIES

Cash received from state appropriation	22,562,371
Cash paid to employees on nonoperating projects	(1,025,454)
Net cash provided by noncapital financing activities	<u>21,536,917</u>

CAPITAL FINANCING ACTIVITIES

Cash received from state appropriation	20,000,000
Cash received from state grant	16,604,275
Cash received from federal contracts	11,257,147
Cash received from private contracts	1,730,000
Cash payments for subscription liabilities	(36,358)
Cash payments for lease liabilities	(389,444)
Interest received	2,195,954
Interest paid	(75,857)
Investment in construction-in-progress	(27,062,281)
Investment in capital assets	(1,184,340)
Net cash provided by capital financing activities	<u>23,039,096</u>
Net increase in cash	23,520,588

CASH

Beginning of year	<u>54,437,273</u>
End of year	<u><u>\$ 77,957,861</u></u>

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Net operating loss	\$ (29,460,220)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation and amortization	8,346,075
Loss on disposition of property and equipment	12,098
Gain on disposition of lease asset	(62,335)
Lease revenue non-cash adjustment	(20,463)
Changes in current assets and liabilities:	
Decrease in accounts receivable	(88,984)
Decrease in other current assets, prepaid expenses	72,434
Increase in unearned revenue	1,088
Increase in accounts payable and accrued expenses	144,882
Net cash used by operating activities	<u><u>\$ (21,055,425)</u></u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of building	
Asset	\$ 3,000,000
Liability	(2,250,000)
Cash paid to acquire building	<u>\$ 750,000</u>
Accounts payable - acquisition of property and equipment	<u><u>\$ 4,303,248</u></u>

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2024

Note 1 – Organization and Nature of Activities

Virginia Commercial Space Flight Authority (the “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 (the “Commonwealth”). The Governor appoints the 9-member board, and there is a potential financial benefit/burden to the primary government. 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.

Note 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 an accrual basis whereby revenue is recognized when earned and expenses are recognized when the liability is incurred.

Credit Risk

At June 30, 2024, the entire bank deposit balance of \$77,973,663 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.

Leases

The Authority is a lessee for noncancellable leases of office space, warehouse space and equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position related to these agreements.

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2024

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. 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 initial direct costs, if any. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

The Authority is a lessor for a noncancellable lease of business and storage space. The Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position related to these agreements. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion 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. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis.

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

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.
- The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease assets are reported with depreciable capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Subscription Assets and Liabilities

The Authority recognizes a right-of-use asset and a subscription liability in the statement of net position for an information technology subscription agreement. At the commencement of a subscription agreement, the Authority initially measured the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the commencement date, plus certain initial direct costs, if any. Subsequently, the subscription asset is amortized on a straight-line basis over the life of the agreement.

Concentrations

The primary source of operating revenue is from launch fees and operations support with two commercial customers that have contracted with the Authority. These two customers represent 100% of the total 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.

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2024

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, 2024, management believes all accounts receivable are fully collectible; therefore, there was no allowance for doubtful accounts.

Deferred Inflows

In addition to liabilities, the financial statements will sometimes provide a separate section for deferred inflows of resources which represent an acquisition of net assets that applies to future periods and will not be recognized as revenue until that time. Deferred inflows of resources are reported for amounts related to a lease. Deferred lease amounts are amortized over the lives of the related lease on a straight-line basis.

Capital Assets

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
Building	10 years
Machinery and equipment	4 - 15 years
Computer equipment	5 years
Land improvements	15 years
Software	3 years
Office furniture	5 - 7 years

Maintenance and ordinary repairs are charged to expense as incurred. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized.

Unearned Revenue

Unearned revenue primarily includes state grant funds received but not expended in fiscal year 2024.

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.

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2024

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 year ended June 30, 2024, the Authority received \$20,000,000 of appropriations from the Commonwealth of Virginia restricted for improvements to the Mid-Atlantic Regional Spaceport (MARS) Facilities. In addition, restricted funds continue to be carried over from previous years, for improvement of the waterfront facilities and UAS facilities, construction of the MARS Facilities, and the Accomack Regional Airport hangar. At June 30, 2024, \$16,676,553 was invested in these projects. As the projects were ongoing at year-end, the unexpended funds totaling \$46,823,447 are considered restricted at June 30, 2024.

Note 3 – Lease Receivable / Deferred Inflow of Resources

The Authority is a lessor for a noncancellable lease of business and storage space with Rocket Lab USA, Inc. (Rocket Lab). The Authority has a lease receivable with an outstanding balance of \$868,581 of which \$108,737 is current, and deferred inflow of resources of \$788,000, as of June 30, 2024. During 2024, the Authority recognized lease revenue of \$121,230 and interest revenue of \$29,757, using a discount rate of 3.25%, which are included in other operating revenues and interest income, respectively, on the statement of revenue, expenses, and changes in net position.

Future maturities of the lease receivable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 108,737	\$ 26,638	\$ 135,375
2026	117,133	22,980	140,113
2027	125,973	19,042	145,015
2028	135,280	14,812	150,092
2029	145,075	10,271	155,346
2030-2031	<u>236,383</u>	<u>6,173</u>	<u>242,556</u>
	<u>\$ 868,581</u>	<u>\$ 99,916</u>	<u>\$ 968,497</u>

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2024

Note 4 – Capital Assets

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

	<u>Balance</u> <u>July 1, 2023</u>	<u>Acquisitions</u> <u>(Increases)</u>	<u>Disposals</u> <u>(Decreases)</u>	<u>Balance</u> <u>June 30, 2024</u>
Nondepreciable and nonamortizable capital assets:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Construction-in-progress	<u>17,965,311</u>	<u>31,365,528</u>	<u>(8,403,660)</u>	<u>40,927,179</u>
Total nondepreciable and nonamortizable capital assets	<u>18,515,311</u>	<u>31,365,528</u>	<u>(8,403,660)</u>	<u>41,477,179</u>
Depreciable and amortizable capital assets:				
Launch pad facilities	140,713,614	6,828,490	-	147,542,104
UAS Airfield	5,984,532	-	-	5,984,532
Machinery and equipment	3,398,701	1,602,924	(12,098)	4,989,527
Building	38,884,331	3,000,000	-	41,884,331
Computer equipment	442,763	188,907	-	631,670
Land improvements	175,000	-	-	175,000
Software	158,945	-	-	158,945
Office furniture	32,722	217,679	-	250,401
Office and warehouse space	2,865,230	-	(1,650,088)	1,215,142
Software subscription asset	<u>199,532</u>	<u>-</u>	<u>-</u>	<u>199,532</u>
Total depreciable and amortizable capital assets	<u>192,855,370</u>	<u>11,838,000</u>	<u>(1,662,186)</u>	<u>203,031,184</u>
Accumulated depreciation and amortization:				
Launch pad facilities	51,632,409	6,046,778	-	57,679,187
UAS Airfield	1,541,892	299,504	-	1,841,396
Machinery and equipment	2,284,324	397,041	-	2,681,365
Building	3,165,002	1,103,092	-	4,268,094
Computer equipment	283,165	47,932	-	331,097
Land improvements	175,000	-	-	175,000
Software	158,945	-	-	158,945
Office furniture	28,610	9,108	-	37,718
Office and warehouse space	727,565	402,714	(614,395)	515,884
Software subscription asset	<u>39,906</u>	<u>39,906</u>	<u>-</u>	<u>79,812</u>
Total accumulated depreciation and amortization	<u>60,036,818</u>	<u>8,346,075</u>	<u>(614,395)</u>	<u>67,768,498</u>
Total depreciable and amortizable capital assets, net	<u>132,818,552</u>	<u>3,491,925</u>	<u>(1,047,791)</u>	<u>135,262,686</u>
Capital assets, net	<u>\$ 151,333,863</u>	<u>\$ 34,857,453</u>	<u>\$ (9,451,451)</u>	<u>\$ 176,739,865</u>

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2024

Note 5 – 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 2024 were \$1,233,404, which is included in administration operating expense on the statement of revenue, expenses and changes in net position.

Note 6 – Right-to-Use Lease Assets and Lease Liabilities

The Authority is a lessee for noncancellable leases of office space and warehouse space, for which the Authority has recognized lease assets and lease liabilities discounted between 3.25% and 8.5%. During 2024, the Authority recognized lease amortization and interest expense of \$402,714 and \$69,880, respectively, which is included in the statement of revenues, expenses, and changes in net position in operating expenses and nonoperating expenses. The following is a summary of changes in lease liabilities reported in the statement of net position for the fiscal year ended June 30, 2024:

Lease liabilities - July 1, 2023	\$ 2,232,700
Additions	-
Subtractions	<u>(1,487,472)</u>
Balance - June 30, 2024	745,228
Less - current portion	<u>(210,761)</u>
Long-term lease liabilities - June 30, 2024	<u><u>\$ 534,467</u></u>

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 210,761	\$ 26,792	\$ 237,553
2026	225,880	18,011	243,891
2027	128,845	10,268	139,113
2028	68,233	4,651	72,884
2029	1,321	3,679	5,000
2030-2034	7,291	17,709	25,000
2035-2039	8,575	16,425	25,000
2040-2044	10,086	14,914	25,000
2045-2049	11,863	13,137	25,000
2050-2054	13,953	11,047	25,000
2055-2059	16,412	8,588	25,000
2060-2064	19,303	5,697	25,000
2065-2069	<u>22,705</u>	<u>2,295</u>	<u>25,000</u>
	<u><u>\$ 745,228</u></u>	<u><u>\$ 153,213</u></u>	<u><u>\$ 898,441</u></u>

Note 7 – Long-Term Debt

Long-term debt consists of the following at June 30, 2024:

Mortgage loan payable due in monthly installments of \$20,539, including principal and interest at approximately 7.25%, matures June 2039, secured by the property, with debt terms that include events of default and termination events with finance-related consequences.

\$ 2,250,000

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2024

Activity in long-term debt accounts was as follows:

	<u>Balance</u> <u>July 1,</u> <u>2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30,</u> <u>2024</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Mortgage Loan	\$ -	\$ 2,250,000	\$ -	\$ 2,250,000	\$ 74,500

Future principal and interest obligations related to long-term debt are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 74,500	\$ 135,574	\$ 210,074
2026	89,521	156,952	246,473
2027	96,327	150,146	246,473
2028	103,257	143,216	246,473
2029	111,503	134,970	246,473
2030 - 2034	697,993	534,372	1,232,365
2035 - 2039	<u>1,076,899</u>	<u>225,686</u>	<u>1,302,585</u>
	<u>\$ 2,250,000</u>	<u>\$ 1,480,916</u>	<u>\$ 3,730,916</u>

Note 8 – Compensated Absences

Authority employees are granted paid time off in varying amounts based on length of service. They may accumulate, subject to certain limitations, unused paid time off and upon separation may be compensated for certain amounts at their then current rates of pay. The following is a summary of changes in compensated absences reported in the statement of net position for the fiscal year ended June 30, 2024:

Compensated absences - July 1, 2023	\$ 1,470,363
Additions	1,280,350
Subtractions	<u>(1,138,076)</u>
Balance - June 30, 2024	<u>\$ 1,612,637</u>

All compensated absences are current at June 30, 2024, and are included in accounts payable and accrued expenses on the statement of net position.

Note 9 – Commitments

At June 30, 2024, the Authority has contractual commitments of approximately \$29.3 million for work remaining to be performed under outstanding contracts, approximately \$8.4 million of which will be reimbursable under separate private and federal contract agreements, and approximately \$16.9 million of which are funded by the Commonwealth of Virginia.

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2024

Note 10 – 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 Chubb/Ace Property and Casualty Insurance Company of Philadelphia, PA with an insurance limit of \$25,000,000.

The Authority has Public Entity Liability/Employment Practice Liability Insurance through Chubb/Ace Property and Casualty Insurance Company in the amount of \$1,000,000. The policy provides coverage for a loss caused by a wrongful act committed while conducting duties by or on behalf of a public entity and covers the Authority against claims by workers that their legal rights as employees of the company have been violated.

The Authority has Fiduciary Liability insurance provided through Chubb/Federal Insurance Company with limits of \$1,000,000 that protects the Authority from claims of mismanagement and the legal liability related to serving as a fiduciary.

The Authority has Cyber Liability insurance with Coalition Insurance with limits of \$1,000,000 that covers liability for data breaches involving sensitive customer information.

The Authority has property insurance through Travelers Insurance Company with coverage in the amount of \$3,412,500 for the Norfolk office, the Wallops Island location, and the Addison Warehouse. The coverage amount at the Integration Control Facility is \$4,410,000. 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.

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2024

Beginning in fiscal year 2022, Rocket Lab USA, Inc. (Rocket Lab) 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. The amount of insurance obtained by Rocket Lab is no less than the FAA-established maximum probable loss amount set forth in the FAA Launch License. In addition, Rocket Lab, at no cost to the Authority, has obtained commercial general liability insurance in a minimum amount of \$10,000,000 coverage for activities other than licensed launch activities, with the Authority named as an additional insured.

Note 11 – Subscription-Based Information Technology Arrangements

The Authority has a subscription-based information technology arrangement for communication software for which the Authority has recognized a subscription asset and subscription liability, discounted at 4.75%, in the statement of net position. During 2024, the Authority recognized subscription amortization and interest expense of \$39,906 and \$5,977, respectively, which are included in the statement of revenues, expenses, and changes in net position in operating expenses and nonoperating expenses. The following is a summary of changes in subscription liabilities reported in the statement of net position for the fiscal year ended June 30, 2024:

Subscription liability - July, 1, 2023	\$	156,371
Additions		-
Subtractions		(36,359)
Balance - June 30, 2024		120,012
Less - current portion		(38,124)
Long-term subscription liability - June 30, 2024	\$	<u>81,888</u>

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 38,124	\$ 5,826	\$ 43,950
2026	39,974	3,976	43,950
2027	41,914	2,036	43,950
	<u>\$ 120,012</u>	<u>\$ 11,836</u>	<u>\$ 131,850</u>

Note 12 – Subsequent Event

In August 2024, the Board approved the purchase of a building to be used as a launch team maintenance facility complex. This purchase totaling approximately \$2,400,000 is in the due diligence period and is expected to close near the end of October 2024.



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 Board of Directors of
Virginia Commercial Space Flight Authority
(A Component Unit of the Commonwealth of Virginia)
Norfolk, 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 *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, 2024, 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 10, 2024.

Report on 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) to determine the 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 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 or significant deficiencies may exist that have not been identified.**

Report on 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 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.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 10, 2024

Virginia Commercial Space Flight Authority

Summary of Compliance Matters

June 30, 2024

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

Virginia Commercial Space Flight Authority

Schedule of Findings and Responses

June 30, 2024

A – Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the financial statements
2. No material weaknesses and no significant deficiencies relating to the audit of the financial statements were 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

None

C – Findings – Commonwealth of Virginia

None

Virginia Commercial Space Flight Authority

Summary Schedule of Prior Audit Findings

June 30, 2024

VA-2023-001: Conflicts of Interest

Condition:

Ten out of ten conflict of interest forms were not filed by the February 1, 2023, deadline.

Criteria:

All conflict-of-interest forms should be completed and filed by the February 1, 2023, deadline.

Recommendation:

We recommend that applicable board members be contacted prior to the deadline to ensure forms are filed in a timely manner.

Current Status:

The issue appears to have been corrected as we had no similar findings for 2024.



Other Information



Virginia Commercial Space Flight Authority
Norfolk, Virginia
Authority Officials

Board Members

(As of June 30, 2024)

James McArthur, Jr., Acting Chairman

Morris Foster

Robert Kehler

Linda Thomas-Glover

Greg Campbell

Kathryn Thornton

The Honorable W. Sheppard Miller III

Roosevelt Mercer, Jr., CEO and Executive Director