

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF NORFOLK, VIRGINIA**  
(A Component Unit of the City of Norfolk, Virginia)

Financial Statements

For the Year Ended

June 30, 2025

(With Report of Independent Auditor Thereon)

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Economic Development Authority  
of the City of Norfolk, Virginia  
Norfolk, Virginia

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Economic Development Authority of the City of Norfolk, Virginia (the Authority), a component unit for the City of Norfolk, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 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.

***Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 26, 2025

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*(Unaudited)*

The following discussion and analysis of the Economic Development Authority of the City of Norfolk, Virginia's (the Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2025.

### **Financial Highlights for Fiscal Year 2025**

The Authority's financial statements are reported on the accrual basis as required by U.S. Generally Accepted Accounting Principles (GAAP). On this basis, the Authority has total operating expenses of \$11,766,545 and total operating revenues of \$10,258,518.

### **Other Financial Highlights**

- At the close of the fiscal year, the Authority's total cash and cash equivalents was \$5,482,911. It also held \$773,986 of restricted cash.
- Capital assets, net of depreciation, increased by \$620,420. This includes reclassifications from land held for resale to land of \$1,109,200 and to Land – Restricted of \$702,952. And is net of the transfer of Rosna Theater to the City which had a book value of \$680,326.

### **Overview of the Financial Statements**

The Authority is a component unit of the City. Component units are other governmental units over which the City can exercise influence and/or may be obligated to provide financial support. In addition to these stand-alone financial statements of the Authority, component units of the City are also presented as a separate column in the government-wide financial statements of the City.

The Authority's financial section of the annual report consists of two parts: management's discussion and analysis (this section), and the basic financial statements and related notes.

The statement of net position presents information on all assets and liabilities of the Authority, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statement of cash flows identifies how cash and other financial assets (that can readily be converted to cash) flowed into and out of the Authority.

The statement of cash flows, when taken together with the statement of net position and statement of revenues, expenses, and changes in net position, provides the reader with a comprehensive view of the financial condition and results of operations of the Authority as of June 30, 2025, and for the year then ended.

Notes to financial statements are an integral part of the statements and should be read in conjunction with the financial statements and Management's Discussion and Analysis.

## Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the Authority's financial position. At the close of the most recent fiscal year, the Authority's assets exceeded liabilities by \$9,709,447.

The following table provides a summary of the Authority's net position as of June 30, 2025, and 2024:

### Summary of Net Position

	<b>2025</b>	<b>2024</b>
Current assets	\$ 6,478,893	\$ 8,998,835
Noncurrent assets	18,835,032	20,488,940
Total assets	<u>25,313,925</u>	<u>29,487,775</u>
Current liabilities	336,775	2,153,084
Noncurrent liabilities	14,567,730	14,584,538
Total liabilities	<u>14,904,505</u>	<u>16,737,622</u>
Deferred inflows of resources	699,973	1,079,380
Total liabilities and deferred inflows of resources	<u>15,604,478</u>	<u>17,817,002</u>
Net position:		
Net investment in capital assets	4,181,719	3,579,923
Restricted	1,476,938	773,986
Unrestricted	4,050,790	7,316,864
Total net position	<u>\$ 9,709,447</u>	<u>\$ 11,670,773</u>

The total net position decreased by \$1,961,326 in fiscal year 2025. The table below summarizes the changes in net position for the years ended June 30, 2025, and 2024.

### Summary of Revenues, Expenses, and Changes in Net Position

	<b>2025</b>	<b>2024</b>
Operating revenue	\$ 10,258,518	\$ 4,864,977
Operating expenses	11,766,545	6,439,736
Operating income/loss	<u>(1,508,027)</u>	<u>(1,574,759)</u>
Nonoperating revenue	227,756	335,420
Nonoperating expenses	(681,055)	-
Change in net position	<u>(1,961,326)</u>	<u>(1,239,339)</u>
Net position, beginning	11,670,773	12,910,112
Net position, ending	<u>\$ 9,709,447</u>	<u>\$ 11,670,773</u>

Operating revenues and expenses increased due to grant programs supporting business development. These include direct and In-kind match expenses and revenues. Nonoperating expenses in fiscal year 2025 were from the transfer of the Rosna Theater to the City.

### **Future Outlook**

The Authority continues to be successful with its mission of helping to promote economic activity in Norfolk and grow the tax base. The City continues to see new capital investment and business expansion, and the Authority will continue to support the City's economic development plans and programs.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens, clients and taxpayers 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 financial information should be made directly to:

Michael Paris, Secretary - Treasurer  
999 Waterside Drive, Suite 2430  
Norfolk, VA 23510  
Telephone (757) 664-4338

## Statement of Net Position

### Economic Development Authority of the City of Norfolk (A Component Unit of the City of Norfolk)

June 30, 2025

	<u>2025</u>
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents (note 2)	\$ 5,482,911
Accounts receivable (note 4)	159,789
Rent receivable	915
Lease receivable - current portion (note 5)	302,165
Loans receivable - current portion (note 10)	119,465
Due from other governments (note 6)	167,593
Prepaid expenses	213,102
Due from City	32,953
Total current assets	<u>6,478,893</u>
Noncurrent assets:	
Restricted cash (note 3)	773,986
Lease receivable (note 5)	377,159
Loans receivable (note 10)	605,467
Capital assets, net of accumulated depreciation (note 9)	16,357,208
Restricted Land (note 9)	702,952
Amortizable right-to-use asset, net of accumulated amortization (note 9)	18,260
Total noncurrent assets	<u>18,835,032</u>
<b>Total assets</b>	<u>25,313,925</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable and accrued expenses (note 11)	312,139
Subscription Liability - current portion (note 12)	18,624
Deposits due to developers	6,012
Total current liabilities	<u>336,775</u>
Noncurrent liabilities:	
Due to City of Norfolk (note 13)	13,441,593
Revolving loan fund (note 14)	1,126,137
Total noncurrent liabilities	<u>14,567,730</u>
<b>DEFERRED INFLOWS:</b>	
Deferred inflows of resources from leases	699,973
<b>Total liabilities and deferred inflows of resources</b>	<u>15,604,478</u>
<b>NET POSITION:</b>	
Net investment in capital assets	4,181,719
Restricted	1,476,938
Unrestricted	4,050,790
<b>Total net position</b>	<u>\$ 9,709,447</u>

See accompanying notes to basic financial statements.

**Statement of Revenues, Expenses and Changes in Net Position**  
**Economic Development Authority of the City of Norfolk**  
**(A Component Unit of the City of Norfolk)**  
**Period Ended June 30, 2025**

	<b>2025</b>
<b>OPERATING REVENUES:</b>	
City of Norfolk, incentive grants	\$ 1,368,838
Other grants	532,953
Commonwealth grants	2,847,884
In-kind contribution (grants)	4,490,215
Administrative fees	282,907
Rent revenue	735,721
<b>Total operating revenues</b>	<b>10,258,518</b>
<b>OPERATING EXPENSES:</b>	
Business development expense	4,860,531
In-kind expense (grants)	4,490,215
Depreciation	547,925
Military Circle Mall	834,418
Professional fees	93,318
Promotion	25,656
Other	914,482
<b>Total operating expenses</b>	<b>11,766,545</b>
<b>Operating income / (loss)</b>	<b>(1,508,027)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Other income	273
Transfer to Primary Government	(680,326)
Interest income	227,483
Interest expense	(729)
<b>Total nonoperating expenses, net</b>	<b>(453,299)</b>
<b>Change in net position</b>	<b>(1,961,326)</b>
<b>NET POSITION</b>	
Beginning	11,670,773
<b>Ending Net Position</b>	<b>\$ 9,709,447</b>

See accompanying notes to basic financial statements.

## Statement of Cash Flows

### Economic Development Authority of the City of Norfolk

June 30, 2025

	<u>2025</u>
Cash flows from operating activities:	
Receipts from customers	\$ 576,219
Receipts for incentive grants	1,709,983
Receipts for other grants	500,000
Receipts for state grants	4,280,759
Payments of incentive grants	(1,867,874)
Payments to suppliers for goods and services	(6,695,464)
Net cash used by operating activities	<u>(1,496,377)</u>
Cash flows from capital and related financing activities:	
Purchase / lease of capital assets	(36,519)
Issuance of long-term debt	36,519
Payment of long-term debt	(17,895)
Interest paid	(729)
Increase in lease receivable	19,734
Net cash provided by financing activities	<u>1,110</u>
Cash flows from investing activities:	
Interest received	227,483
Other receipts	273
Incentive loans	(16,808)
Receipt of payments for loan receivable	138,553
Net cash provided by investing activities	<u>349,501</u>
Net decrease in cash and cash equivalents	<u>(1,145,766)</u>
Cash and cash equivalents:	
Beginning	6,628,677
Ending	<u>\$ 5,482,911</u>
Reconciliation of operating loss from operations to net cash used by operating activities:	
Operating loss	\$ (1,508,027)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Depreciation	547,925
Effect of changes in assets and liabilities:	
Accounts payable and accrued expenses	(1,799,780)
Deposits due to developers	(35,153)
Due from other governments	1,432,875
Due to/from City	(32,953)
Accounts receivable	58,238
Prepaid expenses	(159,502)
Net cash used by operating activities	<u>\$ (1,496,377)</u>

See accompanying notes to basic financial statements

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **Narrative profile**

The Economic Development Authority of the City of Norfolk, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia (the Commonwealth) by ordinance of the City of Norfolk, Virginia (the City) in 1972, pursuant to the provisions of the Industrial Development and Revenue Act of the Commonwealth of Virginia (Title 15.2, Chapter 49, Section 15.2-4900, et. seq., of the Code of Virginia (1950), as amended). It is authorized to acquire, own, lease and dispose of properties, promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

### **(1) Summary of Significant Accounting Policies**

#### ***a. Financial Reporting Entity***

The Authority's financial statements are prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Effective July 1, 2014, the Authority was determined to be a component unit of the City of Norfolk in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, the Financial Reporting Entity. Component units are legally separate entities for which a primary government is financially accountable. As a discretely presented component unit of the City, the information included in these financial statements is included in the Annual Comprehensive Financial Report of the City.

#### ***b. Basis of Presentation***

The Authority's operations are accounted for as a proprietary fund, using the economic resources measurement focus.

The financial statements are presented on an accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. The Authority's primary sources of operating revenue include administrative fees from revenue bonds, proceeds from land sales, intergovernmental transfers from the City, various grants, lease income, and interest earned from investments such as the Virginia Treasury Local Government Investment Pool. The principal operating revenues of the Authority include the sale of land, intergovernmental transfers in from the City, and lease income. Operating expenses include the cost of land sold, contractual services, depreciation and amortization, materials and supplies and business development expenses.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### ***c. Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date of three months or less from the date of acquisition. On June 30, 2025, there was \$ 5,482,911 in cash and cash equivalents, including \$2,846,378 held in the Local Government Investment Pool (LGIP), which is carried at amortized cost because it qualifies as an external investment pool under GASB 79, Certain External Investment Pools and Pool Participants. The Authority is a participant in the LGIP which is administered by the Commonwealth of Virginia Department of Treasury.

The Commonwealth's Department of Treasury is committed to managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, which is determined at the close of each business day. The goal of maintaining NAV is facilitated as follows:

- The LGIP is rated 'AAAm' by Standard & Poor's and managed in a manner to comply with their 'AAAm' rating requirements.
- The portfolio securities are valued using the amortized cost method, and on a weekly basis this valuation is compared to the current market to monitor any variance.
- Investments are limited to short-term, high-quality credits that can be readily converted into cash with limited price variation.

Restricted cash as of June 30, 2025, is \$773,986 (note 3).

**d. Investments**

The Authority considers all funds with an original maturity of greater than one year, to be long-term investments. At June 30, 2025, there are no investment accounts.

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When considering fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for an asset or a liability, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

**e. Land and Land Improvements Including Land Held for Resale**

Land and land improvements including land held for investment and resale are recorded at the lower of cost or net realizable value. Cost is determined by acquisition price, if purchased, or at estimated acquisition value at the date of contribution, if contributed. Subsequent land improvements are added to land and land improvements.

**f. Capital Assets**

Capital assets are recorded at historical cost. Capital assets are defined by the Authority as assets used in operations with an initial, individual cost of more than \$5,000 and a useful life greater than one year. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the results of operations. The costs of major improvements are capitalized while the costs of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

The estimated useful lives are as follows:

Furniture, fixtures, and equipment	5 years
Buildings and building improvements	20 years

***g. Grant Revenue and Development Expense***

Grant revenue consists of incentive grants received from the City and paid to companies as performance-based grants in business attraction, expansion and retention efforts. When the grants are earned by the recipient, development expenses are recorded. The Authority serves as a pass-through for these grants. Grant revenue also includes grants for the development of property to be used by the Authority in its mission. Grants received by the Authority, but not earned by the grantee, are treated as unearned revenue.

***h. Grants from Commonwealth***

The Authority received grants from the Commonwealth to facilitate development projects. The grant funds are typically passed through the Authority to local developers who complete the development work. Grant revenue and development expenses are recorded at the time the work is performed.

***i. In-kind Contributions and Expense***

In conjunction with the development grants received from the Commonwealth, there are often local match requirements. The match funding is provided by the developers performing the work and is recognized by the Authority as in-kind revenue and in-kind expense at the time the work is performed.

***j. Administrative Fees***

Administrative fees are collected by the Authority while bonds are outstanding. Such fees are included in revenue when earned.

***k. Administrative Support***

The City provides administrative support for the Authority. Expenditures associated with these services include salaries for employees and rent expenses on the office. This support is treated as an expenditure by the City and not by the Authority. However, these costs are offset by promotional and marketing activities paid for by the Authority that benefit the City.

***l. Income Taxes***

The Authority is exempt from income taxes as it is a political subdivision of the Commonwealth of Virginia; accordingly, no provision for income taxes is reflected in the accompanying financial statements.

***m. Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

***n. Lease Receivable***

The Authority's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in the amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

***o. Right To Use Subscription Assets***

The Authority has recorded right to use subscription assets in response to the implementation of GASB 96, Subscription-Based Information Technology Arrangements (SBITAs). The subscription asset is measured as the sum of the initial subscription liability amount, payments made to the vendor at the commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the subscription term. The amortization of the subscription asset is recognized as an outflow of resources over the term of the subscription on a straight-line basis.

***p. Right to Use Subscription Liabilities***

The Authority's right to use subscription liability is measured at the present value of the subscription payments expected to be made during the subscription term.

**(2) Cash and Cash Equivalents and Investments**

All cash and investments of the Authority are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2 4400 et. seq. of the Code of Virginia (the Act) or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amount insured by FDIC must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board.

Savings and loan institutions are required to collateralize 100% of the deposits in excess of the FDIC limits. On June 30, 2025, the Authority had approximately \$2,987,987 in excess of the insured amount. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The cash and short-term investments are covered by the FDIC at several financial institutions or collateralized under the Act. The cash equivalents of \$2,846,378 held by the LGIP are collateralized under the Act. As such, there is no significant credit or custodial risk associated with these investments.

**(3) Restricted Cash**

On June 30, 2025, total restricted cash amounts to \$773,986. This includes \$262,852 related to the renovation of the former J.C. Penney Building, \$159,978 in Major Urban Construction Impact Policy and Program (MUCIPP) loan proceeds, and \$351,156 in Federal EDA Funds to be used for approved loan programs.

**(4) Accounts Receivable**

Accounts receivable consists primarily of \$159,628 due from Sentara Health.

**(5) Lease Receivable**

The Authority, acting as lessor, leases property under long-term, non-cancelable lease agreements. The leases expire at various dates through 2032. Rental income is recognized over the term of the leases as it is earned, and the assets held for leasing purposes are classified as capital assets, net of accumulated depreciation on the statement of net position. Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending June 30,	Rent Principal
2026	302,165
2027	234,050
2028	121,612
2029	5,715
2030	5,825
2031-2035	9,956
	\$ 679,324

**(6) Amounts Due from Other Governments**

Amounts due from other governments, at June 30, 2025, are as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Commonwealth of Virginia:</b>				
Virginia Business Ready Sites Program (VBRSP)	\$ 815,468	\$ 167,593	\$ (815,468)	\$ 167,593
Port Host Communities Revitalization Fund (PHCRF)	785,000	-	(785,000)	-
<b>Total</b>	<b>\$ 1,600,468</b>	<b>\$ 167,593</b>	<b>\$ (1,600,468)</b>	<b>\$ 167,593</b>

**(7) Land Held for Resale**

During fiscal year 2025, the Authority evaluated parcels previously classified as land held for resale. Due to the likelihood that they will not be sold within one year, the following parcels were reclassified as capital assets (land) and are no longer reported as held for resale:

Property	Amount
935 Denison Avenue	\$ 230,000
Prime Outlets Boulevard	100,000
331 Riverview Avenue	879,200
Lake Wright	602,952
<b>Total</b>	<b>\$ 1,812,152</b>

**(8) Grant Awards**

On February 15, 2017, the Authority entered into a Cooperation Agreement with the City to administer a performance grant agreement on the City’s behalf with IKEA. Under this agreement the City authorized provision of up to \$5,500,000 that will be reimbursed to the Authority annually over 15 years, or when the maximum grant amount has been paid off earlier, through a revenue sharing performance agreement. The purpose of this grant is to partially offset infrastructure related costs for the development of property located at 6000 Northampton Boulevard. IKEA constructed an approximately 350,000 square foot retail store with an exclusive parking lot of at least 1,200 parking spaces. The term of the grant commenced upon the completion of the improvements in March of 2019. The fiscal year 2025 payment under this agreement was in the amount of \$267,244.

## (9) Capital Assets

Capital Assets	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 7,676,435	\$ 1,109,200	\$ -	\$ -	\$ 8,785,635
Land - Restricted	-	702,952	-	-	702,952
Building and Building Improvements	10,936,046	-	-	(737,148)	10,198,898
Vehicle	64,293	-	-	-	64,293
Subscription-Based Information Technology Arrangements (SBITAs)	-	36,519	-	-	36,519
<b>Total Capital Assets</b>	<b>\$ 18,676,774</b>	<b>\$ 1,848,671</b>	<b>\$ -</b>	<b>\$ (737,148)</b>	<b>\$ 19,788,297</b>
Accumulated Depreciation	(2,218,774)	(529,666)	-	56,822	(2,691,618)
Accumulated Amortization	-	(18,259)	-	-	(18,259)
<b>Total Accumulated Depreciation</b>	<b>\$ (2,218,774)</b>	<b>\$ (547,925)</b>	<b>\$ -</b>	<b>\$ 56,822</b>	<b>\$ (2,709,877)</b>
<b>Net Capital Assets</b>	<b>\$ 16,458,000</b>	<b>\$ 1,300,746</b>	<b>\$ -</b>	<b>\$ (680,326)</b>	<b>\$ 17,078,420</b>

As of June 30, 2025, the Authority reclassified four parcels previously reported as land held for resale. This reclassification reflects a reassessment of the properties' current status and use, in accordance with GASB guidance on capital asset reporting. Two parcels are subject to restrictions under Cooperation Agreements with the City of Norfolk, while the remaining two are unlikely to be sold within one year.

Restricted Land Assets – Totaling \$702,952:

- Prime Outlets Boulevard – Valued at \$100,000, this property is restricted under the Regional Retention Basin section of a Cooperation Agreement with the City. The Authority is prohibited from selling the parcel and may only convey it to either the City of Norfolk or the City of Virginia Beach. It is classified as Land – Not Available for Sale.
- Lake Wright – Valued at \$602,952, this parcel is governed by the Remaining Funds section of the Cooperation Agreement. While the Authority may sell the property, any net proceeds—after allowable development costs—must be remitted to the City of Norfolk. It is classified as Land – Restricted Proceeds.

Unrestricted Land Assets – Totaling \$1,109,200:

- 935 Denison Avenue – Valued at \$230,000, this parcel remains intended for resale; however, the it is unlikely to be sold within one year.
- 331 Riverview Avenue – Valued at \$879,200, this parcel is similarly held for resale but is unlikely to be sold within one year.

During the fiscal year 2025, the Authority transferred the Rosna Theater with a book value of \$680,326 to the City at no cost. The transfer was recorded as a Transfer to Primary Government.

## (10) Loans Receivable

The Authority has entered into loan agreements with various companies. As of June 30, 2025, \$724,932 is outstanding. Interest rates are based on a six-month LIBOR rate at the time of application.

Classifications	Amounts
Current Portion	\$ 119,465
Long-Term Portion	605,467
<b>Total</b>	<b>\$ 724,932</b>

**(11) Accounts Payable and Accrued Expenses**

The accounts payable and accrued expenses balance as of June 30, 2025 is \$312,139. The decrease of \$1,600,468 from prior year is due to a significant decrease in current year of the amount of grant funded development project payments due to contractors reimbursed to the Authority through Commonwealth grant programs.

**(12) Subscription-Based Information Technology Arrangements (SBITAs) Obligations**

For the period ended June 30, 2025, the Authority established a subscription-based technology arrangement with one vendor. All SBITAs are subject to a discounted rate, specifically calculated at the borrowing rate of 4.074%. For the fiscal year ended June 30, 2025, there was a principal reduction of \$17,895. Notably, the total expenditure paid under this subscription was \$18,624 for the fiscal year ended June 30, 2025. Total future minimum SBITA payments under this agreement will be fully amortized by June 30, 2026. No amortization expense is expected after that date.

**(13) Amounts Due to Primary Government**

The Authority entered into a cooperation agreement with the City that became effective in April 2016 to provide for a revenue bond for the remaining costs of improvements in the amount of \$14,500,000. This bond was paid in full during fiscal year 2021 with proceeds from an uncollateralized loan received from the City in the amount of \$13,720,000. The loan proceeds were then used to purchase the Military Circle Mall. As of June 30, 2025, the balance due to the City related to this loan is \$12,878,077. See Footnote 18 for subsequent event.

The Authority entered into a separate cooperative agreement that became effective May 23, 2017, to provide funding to Urgent Care, LLC for the buildout and equipping of an urgent care medical facility. These City provided funds of \$380,000 were returned to the Authority after Sentara took over completing the project and are recorded as a liability due to the City.

The Authority entered into another cooperative agreement with the City that became effective on February 1, 2017, to support the administration of the Innovation Fund. The Innovation Fund was implemented to promote the Community Development Block Grant (CDBG), national objective of improving economic opportunities for low- and moderate-income persons.

There are no set repayment terms for these amounts due to the City.

A summary of fiscal year 2025 changes in long-term obligations is as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Due to City of Norfolk - Uncollateralized Loan	\$ 12,878,077	-	-	\$ 12,878,077
Due to City of Norfolk - Urgent Care	380,000	-	-	380,000
Due to City of Norfolk - Innovation Fund	183,516	-	-	183,516
<b>Total</b>	<b>\$ 13,441,593</b>	<b>-</b>	<b>-</b>	<b>\$ 13,441,593</b>

**(14) Revolving Loan Fund**

On September 14, 2016, Norfolk Redevelopment and Housing Authority (NRHA) transferred \$519,550 of City provided funding to the Authority to support the Citywide Partnership Fund and the Global Initiatives Fund. The Citywide Partnership Fund provides financial assistance to new and expanding businesses within the City that will create permanent employment opportunities for low to moderate-income residents. The Global Initiatives Fund provides patient, flexible capital to serve small and medium-sized enterprises that seek to expand their presence in the global marketplace. In addition to the grant funds, \$83,174 in loans receivable were transferred from NRHA to the Authority.

In December 2020, the Authority entered into a cooperation agreement with the City to administer \$500,000 in funds awarded by the U.S. Department of Commerce under the CARES Act Supplemental Revolving Loan Fund. An additional \$49,000 of grant funding was provided to pay for related administrative expenses.

The purpose of the loan funds was to mitigate the economic disruptions caused by COVID-19 by supporting a revolving loan fund aimed at promoting economic resiliency and achieving long-term development objectives. The program remains ongoing and provides financial resources in alignment with its objectives. As of June 30, 2025, the Authority had an outstanding loan principal and interest earned totaling \$523,413. The funds are still considered to be federalized and would need to be repaid to the federal government if the program were to end prior to them being defederalized.

#### **(15) Conduit Debt Obligations**

The Authority is authorized to issue revenue bonds for the purpose of acquiring and constructing facilities. Liability under the bonds is assumed by the enterprises for which facilities are constructed. The revenue bonds are not deemed to constitute a debt or pledge of faith and credit of the Commonwealth of Virginia or any political subdivision thereof. Although the Authority provides a conduit to execute such transactions, it retains neither the benefits of asset ownership nor the liability for bond liquidation. Accordingly, the Authority does not recognize in its financial statements associated assets, liabilities, rental income or interest expense associated with the bond issuances.

In the past, the Economic Development Authority has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the third-party entity served by the bond issuance. Neither the Authority nor the City is obligated in any manner for the repayment of these conduit debt issues.

As of June 30, 2025, there were eight series of limited commitment conduit bonds outstanding, with an aggregate unpaid principal amount of \$410,240,947 maturing through fiscal year 2036. All of these bonds are tax-exempt and are issued for the benefit of nonprofit organizations, manufacturing companies or enterprise-zone businesses (as defined in Sections 1397(c) and 1394(b)(3) of the Internal Revenue Code of 1986, as amended). There are no commitments that need to be disclosed.

#### **(16) Risk Management**

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; general liability; automobile liability; crime and employee dishonesty; professional liability; and directors' and officers' liability. The Authority's coverage is provided through the City's combination of purchased insurance policies and self-insurance plans. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

#### **(17) Related Party Transactions**

The Authority receives pass-through funds from the City to make development grants and loans under programs, including the MUCIPP loan program, Commonwealth's Development Opportunity Fund, EDA Revolving Loan Program, and the Innovation Fund, which are administered by the Authority on behalf of the City. In addition, the Authority collects and remits to the City all loan payments from borrowers in the MUCIPP, EDA Revolving Loan Program and the Innovation Fund.

#### **(18) Subsequent Events**

On July 15, 2025, Norfolk City Council approved an ordinance accepting the conveyance of Military Circle Mall and the former Double Tree Hotel from the Authority by way of Special Warranty Deed. At the Authority's August 6th, 2025, board meeting, the Directors approved a resolution authorizing the transfer to the City on behalf of the Authority. In conjunction with this property transfer expected to occur in fiscal year 2026, the Authority's \$12,878,077 liability to the City will be satisfied in full.



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

Board of Directors  
Economic Development Authority  
of the City of Norfolk, Virginia  
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, the financial statements of the Economic Development Authority of the City of Norfolk, Virginia (the Authority), a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 26, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

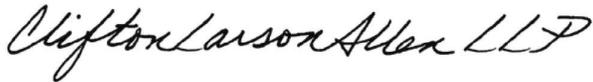
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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



**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 26, 2025

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ECONOMIC  
DEVELOPMENT  
AUTHORITY

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*of the City of Norfolk*