

NC STATE UNIVERSITY  
PARTNERSHIP CORPORATION  
AND AFFILIATES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2019 and 2018



NC State University Partnership Corporation and Affiliates  
Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
NC State University Partnership Corporation and Affiliates  
Raleigh, North Carolina

We have audited the accompanying consolidated financial statements of NC State University Partnership Corporation and Affiliates (the "Corporation"), a nonprofit organization and a component unit of North Carolina State University, which comprise the consolidated statement of net position as of June 30, 2019, and the related consolidated statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

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

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



significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NC State University Partnership Corporation and Affiliates, as of June 30, 2019, and the respective changes in net position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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 Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise NC State University Partnership Corporation and Affiliates basic consolidated financial statements. The supplementary information on pages 18 through 25 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and



reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

*Other Information*

The 2018 consolidated financial statements of the Corporation were audited by other auditors, whose report dated August 17, 2018 expressed an unmodified opinion on those statements.

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

In accordance with Governmental Auditing Standards, we have also issued our report dated August 16, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

*William Overman Pierce, LLP*

Raleigh, North Carolina  
August 16, 2019

**NC STATE UNIVERSITY PARTNERSHIP CORPORATION AND AFFILIATES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**INTRODUCTION**

Management's discussion and analysis provides an overview of the accompanying basic consolidated financial statements of the NC State University Partnership Corporation (the "Corporation") and the eight single member limited liability corporations created by the Corporation. It includes comparative financial analysis with discussion of significant changes from the prior year as well as information on currently known facts, decisions, or conditions affecting the Corporation's financial affairs.

**FINANCIAL HIGHLIGHTS**

The Corporation's net position decreased by 4% to \$18.07 million in fiscal year 2019. Net position represents the Corporation's equity, the assets less the liabilities. The major driver behind this change was the continued decreased operations of the Leaders in Innovation and Nonwovens Commercialization ("LINC"), LLC, which generated a net loss of approximately \$698,000 during fiscal year 2019 combined with the net loss of approximately \$254,000 generated by NC State University Centennial Development, LLC.

Revenues represent amounts received or accrued that are either operating or nonoperating in the accompanying financial statements. Operating revenues decreased by approximately \$355,000 from the prior year primarily due to the continued decreased operations of LINC, LLC during fiscal year 2019.

Operating expenses represent amounts paid or accrued for operating purposes. Operating expenses decreased by approximately \$3.76 million from the prior year primarily also due to the continued decreased operations of LINC, LLC during fiscal year 2019.

**USING THE FINANCIAL STATEMENTS**

The Corporation's consolidated financial statements are used to evaluate the financial position as of June 30, 2019 and June 30, 2018 and the results of operations for the fiscal years then ended. The consolidated financial statements also include Consolidated Statements of Cash Flows, which are used to identify the Corporation's sources and uses of cash. In using the consolidated financial statements, the Notes to Consolidated Financial Statements should be read in conjunction with the consolidated financial statements. The disclosures in the notes provide information to better understand details associated with amounts reported in the consolidated financial statements. For supplementary information, a Consolidating Statement of Net Position and Consolidating Statement of Revenues, Expenses, and Changes in Net Position are also presented to show the detail of the balances and activity associated with the Corporation and its eight individual limited liability corporations.

**COMPARATIVE CONDENSED FINANCIAL STATEMENT INFORMATION**

**Consolidated Statements of Net Position**

The Consolidated Statements of Net Position provide information regarding the Corporation's assets, liabilities, and net position as of June 30, 2019 and 2018. Asset and liability balances are classified as either current or noncurrent. Assets classified as current are those that are available to pay for current liabilities or current-year expenditures. Liabilities classified as current are those that are due and payable in the next fiscal year. The net position balances are classified as either net investment in capital assets, restricted, or unrestricted.



NC STATE UNIVERSITY PARTNERSHIP CORPORATION AND AFFILIATES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

Following is a comparative analysis of the condensed balances reported in the Consolidated Statements of Net Position as of June 30, 2019 and 2018:

	2019	2018	Decrease
<b>Assets</b>			
Current assets	\$ 1,902,422	\$ 3,016,259	\$ (1,113,837)
Noncurrent assets	20,073,478	20,556,192	(482,714)
<b>Total Assets</b>	<b>\$ 21,975,900</b>	<b>\$ 23,572,451</b>	<b>\$ (1,596,551)</b>
<b>Liabilities</b>			
Current liabilities	\$ 980,555	\$ 1,583,536	\$ (602,981)
Long-term liabilities	2,929,528	3,130,395	(200,867)
<b>Total Liabilities</b>	<b>3,910,083</b>	<b>4,713,931</b>	<b>(803,848)</b>
<b>Net Position</b>			
Net investment in capital assets	16,936,280	17,207,401	(271,121)
Restricted net position, expendable	144,480	168,287	(23,807)
Unrestricted net position	985,057	1,482,832	(497,775)
<b>Total Net Position</b>	<b>18,065,817</b>	<b>18,858,520</b>	<b>(792,703)</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 21,975,900</b>	<b>\$ 23,572,451</b>	<b>\$ (1,596,551)</b>

Current assets decreased by approximately \$1.11 million from the prior year, which is primarily a result of an approximately \$1.36 million decrease in cash held by LINC, LLC. Noncurrent assets decreased approximately \$483,000 primarily due to depreciation and amortization. Total liabilities decreased by approximately \$804,000 from the prior year primarily due to a \$613,000 decrease in accounts payable owed by LINC, LLC combined with NC State University Centennial Development, LLC's debt activity (see below). Net position decreased by approximately \$793,000 from the prior year.

As shown in the following table, the Corporation decreased its debt by approximately \$205,000 in fiscal year 2019 primarily due to NC State Centennial Development, LLC debt activity.

	2019	2018	(Decrease)/ Increase
Current installments of capital lease obligations	\$ 200,866	\$ 211,592	\$ (10,726)
Line of credit	136,334	130,000	6,334
<b>Total current debt liabilities</b>	<b>\$ 337,200</b>	<b>\$ 341,592</b>	<b>\$ (4,392)</b>
Capital lease obligations, less current installments	\$ 143,778	\$ 344,645	\$ (200,867)
Notes payable	2,785,750	2,785,750	-
<b>Total long-term debt liabilities</b>	<b>\$ 2,929,528</b>	<b>\$ 3,130,395</b>	<b>\$ (200,867)</b>

**NC STATE UNIVERSITY PARTNERSHIP CORPORATION AND AFFILIATES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**Consolidated Statements of Revenues, Expenses, and Changes in Net Position**

The Consolidated Statements of Revenues, Expenses, and Changes in Net Position provide information regarding the Corporation's activities for the years ending June 30, 2019 and 2018. The activity balances are classified as operating and nonoperating. Activities classified as operating include all revenues and expenses incurred as part of normal operations as defined in Note 1. Activities classified as nonoperating include expenses incurred outside of normal operations such as those related to financing activities. Overall, the Consolidated Statements of Revenues, Expenses, and Changes in Net Position provide information to evaluate the Corporation's operations and financial strength.

Following is a comparative analysis on the condensed balances reported in the Consolidated Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2019 and 2018:

	2019	2018	(Decrease)/ Increase
<b>Operating Revenues and Expenses</b>			
Operating revenues	\$ 3,209,285	\$ 3,563,927	\$ (354,642)
Operating expenses:			
Cost of sales	310,756	921,576	(610,820)
General operating expenses	3,428,637	6,033,059	(2,604,422)
Capital transfers (in) out	(286,637)	249,615	(536,252)
Net operating loss prior to depreciation and amortization	(243,471)	(3,640,323)	3,396,852
Depreciation and amortization expense	508,374	512,040	(3,666)
<b>Net Operating Loss</b>	<b>(751,845)</b>	<b>(4,152,363)</b>	<b>3,400,518</b>
<b>Nonoperating Expenses</b>			
Interest and fees on debt	(40,858)	(48,724)	7,866
Gain on disposal of property and equipment	-	720	(720)
<b>Net Nonoperating Expenses</b>	<b>(40,858)</b>	<b>(48,004)</b>	<b>7,146</b>
<b>Change in Net Position</b>	<b>(792,703)</b>	<b>(4,200,367)</b>	<b>3,407,664</b>
<b>Net Position</b>			
Beginning of year	18,858,520	23,058,887	(4,200,367)
End of year	<b>\$ 18,065,817</b>	<b>\$ 18,858,520</b>	<b>\$ (792,703)</b>

The Corporation saw a \$355,000 decrease in operating revenues and a \$3.76 million decrease in total operating expenses, both due to the continued decreased operations of LINC, LLC during fiscal year 2019.

NC STATE UNIVERSITY PARTNERSHIP CORPORATION AND AFFILIATES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

There are some factors that may have a significant effect on financial position or results of operations of the Corporation in the future. NC State University Centennial Development, LLC's Lonnie Poole Golf Course revenues are dependent on the state of the economy and may fluctuate as economic factors fluctuate. Also, the revenues and expenses of the LINC, LLC are highly dependent on the ability to generate new contracts.

Contacting the NC State University Partnership Corporation

An electronic version of this report is available by accessing the Foundations Accounting and Investments home page at <https://foundationsaccounting.ofa.ncsu.edu/partnership-corporations/> or by calling (919) 513-7149.



## CONSOLIDATED FINANCIAL STATEMENTS

NC State University Partnership Corporation and Affiliates

Consolidated Statements of Net Position  
June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Current assets		
Cash (Note 1)	\$ 1,396,570	\$ 2,626,270
Accounts receivable (Note 1)	149,975	98,249
Taxes receivable	23,574	25,261
Inventory - golf course (Note 1)	131,679	107,593
Prepaid expenses (Note 1)	167,874	158,886
Other assets (Note 1)	32,750	-
<b>Total current assets</b>	<b>1,902,422</b>	<b>3,016,259</b>
Noncurrent assets		
Property and equipment:		
Land (Note 3)	2,792,554	2,792,554
Golf course property and equipment, net (Note 1 & 2)	17,280,924	17,763,638
<b>Total property and equipment, net</b>	<b>20,073,478</b>	<b>20,556,192</b>
<b>Total noncurrent assets</b>	<b>20,073,478</b>	<b>20,556,192</b>
<b>Total Assets</b>	<b>\$ 21,975,900</b>	<b>\$ 23,572,451</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable (Note 1)	\$ 209,104	\$ 857,674
Current installments of capital lease obligations (Note 6)	200,866	211,592
Funds held for others (Note 7)	58,762	57,440
Line of credit (Note 8)	136,334	130,000
Unearned revenue (Note 1)	375,489	326,830
<b>Total current liabilities</b>	<b>980,555</b>	<b>1,583,536</b>
Long-term liabilities		
Capital lease obligations, less current installments (Note 6)	143,778	344,645
Notes payable (Note 9)	2,785,750	2,785,750
<b>Total long-term liabilities</b>	<b>2,929,528</b>	<b>3,130,395</b>
<b>Total Liabilities</b>	<b>3,910,083</b>	<b>4,713,931</b>
<b>Net Position</b>		
Net investment in capital assets	16,936,280	17,207,401
Restricted net position, expendable	144,480	168,287
Unrestricted net position	985,057	1,482,832
<b>Total Net Position</b>	<b>18,065,817</b>	<b>18,858,520</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 21,975,900</b>	<b>\$ 23,572,451</b>

See Notes to Consolidated Financial Statements.

NC State University Partnership Corporation and Affiliates

Consolidated Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2019 and 2018

	2019	2018
<b>Operating Revenues and Expenses</b>		
Operating revenues	\$ 3,209,285	\$ 3,563,927
Operating expenses:		
Cost of sales	310,756	921,576
General operating expenses	3,428,637	6,033,059
Capital transfers (in) out (Note 1)	(286,637)	249,615
Net operating loss prior to depreciation and amortization	<u>(243,471)</u>	<u>(3,640,323)</u>
Depreciation expense	299,543	297,873
Amortization expense	208,831	214,167
Net Operating Loss	<u>(751,845)</u>	<u>(4,152,363)</u>
<b>Nonoperating Expenses</b>		
Interest and fees on debt	(40,858)	(48,724)
Gain on disposal of property and equipment	-	720
Net Nonoperating Expenses	<u>(40,858)</u>	<u>(48,004)</u>
Change in Net Position	(792,703)	(4,200,367)
<b>Net Position</b>		
Beginning of year	18,858,520	23,058,887
End of year	<u>\$ 18,065,817</u>	<u>\$ 18,858,520</u>

See Notes to Consolidated Financial Statements.

NC State University Partnership Corporation and Affiliates

Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Received from customers	\$ 3,786,821	\$ 4,174,704
Payments to University employees and fringe benefits	(454,810)	(1,075,149)
Payments to vendors and suppliers	(4,232,494)	(6,186,489)
<b>Net Cash Used in Operating Activities</b>	<u>(900,483)</u>	<u>(3,086,934)</u>
<b>Cash Flows from Capital Financing and Related Financing Activities:</b>		
Purchases of property and equipment - golf course	(25,660)	-
Payments on lease liabilities - golf course	(211,593)	(201,513)
Proceeds from line of credit - golf course	161,334	180,000
Payments on line of credit - golf course	(155,000)	(195,000)
Payments on funds held for others - Bell Tower Holdings, LLC	(57,440)	(57,440)
Interest paid on debt	(40,858)	(48,724)
<b>Net Cash Used in Capital Financing and Related Financing Activities</b>	<u>(329,217)</u>	<u>(322,677)</u>
<b>Net Decrease in Cash</b>	(1,229,700)	(3,409,611)
<b>Cash</b>		
Beginning of year	2,626,270	6,035,881
End of year	<u>\$ 1,396,570</u>	<u>\$ 2,626,270</u>
<b>Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities</b>		
Net operating loss	\$ (751,845)	\$ (4,152,363)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization - golf course	508,374	512,040
Capital transfers - property and equipment	-	(7,193)
(Increase) decrease in:		
Accounts receivable	(51,726)	(26,999)
Taxes receivable	1,687	(3,222)
Inventory - golf course	(24,086)	(16,476)
Prepaid expenses	(8,988)	(72,327)
Other assets	(32,750)	244,192
Increase (decrease) in:		
Accounts payable	(648,570)	328,804
Funds held for others	58,762	57,440
Unearned revenue	48,659	49,170
<b>Net Cash Used in Operating Activities</b>	<u>\$ (900,483)</u>	<u>\$ (3,086,934)</u>
<b>Supplemental Disclosures of Noncash Activities</b>		
Net capital lease activity	\$ -	\$ (2,305)
Capital transfers - materials and services	7,017	18,196
<b>Net Noncash Capital and Financing Activities</b>	<u>\$ 7,017</u>	<u>\$ 15,891</u>

See Notes to Consolidated Financial Statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Nature of Activities**

Nature of activities: The NC State University Partnership Corporation (the "Corporation") was organized on December 17, 1984 to support and for the benefit of North Carolina State University (the "University") with the aim of creating new knowledge and improving the lives of the people of North Carolina. It is organized and operated exclusively for charitable, educational, and scientific objectives. The Corporation shall carry on only those activities permitted to be carried on by an organization or entity which is exempt from taxation under the provision of paragraph 501(c)(3) of the Internal Revenue Code.

A summary of the Corporation's significant accounting policies follows:

Basis of accounting: The consolidated financial statements of the Corporation have been prepared on the accrual basis of accounting using the economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

As permitted under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Corporation has elected not to apply Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

Principles of consolidation: The consolidated financial statements include the accounts of the Corporation and eight single member limited liability companies (affiliates) created by the Corporation: Leaders in Innovation and Nonwovens Commercialization ("LINC"), LLC; NC State University Centennial Development, LLC; NC State Upfit, LLC; Bell Tower Holdings, LLC; NC State CBC Land I, LLC; NC State CC Holdings I, LLC; Wolfpack Investor Network ("WIN"), LLC; and C2I, LLC. LINC, LLC was formed to foster economic development and creation of new knowledge by facilitating commercialization of technologies developed at the Nonwovens Institute in the College of Textiles at NC State University. NC State University Centennial Development, LLC was created to construct, own and operate a golf course located on the North Carolina State University Centennial Campus. NC State Upfit, LLC was formed to develop, construct, own and otherwise upfit facilities located on the Centennial Campus at North Carolina State University. Bell Tower Holdings, LLC was established to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all rights of ownership of real property. NC State CBC Land I, LLC was formed to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all rights of ownership of land and flex lab facilities located on North Carolina State University's Centennial Biomedical Campus. NC State CC Holdings I, LLC was formed to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all rights of ownership of land and facilities located on North Carolina State University's Centennial Campus. WIN, LLC was formed to connect the NC State alumni network with the NC State entrepreneurial community to develop and foster knowledge transfer and extend the University's outreach and engagement. C2I, LLC was formed to act as an intermediary between the University and private parties in connection with certain real estate operations, execute innovation space management agreements, and procure resources for enhanced innovation activation and programming. All significant intercompany balances and transactions have been eliminated in the consolidation.

The Supplementary Financial Information section of this report contains additional details regarding the activities of the Corporation and the eight single member LLCs. The activity of the Partnership Corporation includes managing lease activity for the University's Prague Institute. The majority of the financial activity is attributable to LINC, LLC and NC State University Centennial Development, LLC's Lonnie Poole Golf Course.

**Note 1. Nature of Activities (continued)**

Cash: At times, the Corporation places deposits with a high-quality financial institution that may be in excess of federal insurance limits, making these excess deposits subject to custodial credit risk. The bank balance for the Partnership Corporation and its subsidiary LLCs' checking and money market accounts was \$1,394,197 and \$2,750,421 at June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the Corporation's uninsured and uncollateralized bank balances that were exposed to custodial credit risk was \$658,734 and \$2,054,474, respectively.

Accounts receivable: Accounts receivable primarily consists of amounts due in relation to event payments and University dining commissions due to NC State University Centennial Development, LLC, an expense reimbursement due to Leaders in Innovation and Nonwovens Commercialization, LLC, a ground lease held by NC State CC Holdings I, LLC and net operating revenue due to C2I, LLC from the management company. Management believes substantially all accounts receivable balances are collectible as of June 30, 2019 and 2018; therefore an allowance for doubtful accounts has not been recorded.

Inventory – golf course: Inventory is accounted for using the average cost method and consists of merchandise for the golf shop.

Prepaid expenses: Prepaid expenses consist of prepaid payments on leases.

Other assets: Other assets includes in-process goods.

Golf course property and equipment: Property and equipment are stated at depreciated value. It is the Corporation's policy to capitalize all assets costing greater than \$5,000. Depreciation is computed using the straight-line method, half-year convention. Equipment and fixtures are depreciated over their estimated useful lives, generally 3 to 7 years beginning in the year of acquisition. Buildings and general infrastructure are depreciated over their estimated useful lives, generally 7 to 39 years beginning in the year that construction is completed. The modern greens and other land improvements are depreciated over 15 years and the cost of constructing the golf course is a nondepreciable capital asset.

Accounts payable: Accounts payable primarily represents trade payables due to vendors and the University at June 30, 2019 and 2018. At June 30, 2019, approximately \$142,000 was owed to vendors and approximately \$59,000 was owed to the University. At June 30, 2018, approximately \$799,000 was owed to vendors and approximately \$54,000 was owed to the University.

Unearned revenue: NC State University Centennial Development, LLC records deferred revenue related to dues and fees paid by Lonnie Poole Golf Course Charter Partners in the current year for membership the following year. NC State University Centennial Development, LLC also records deferred revenue for annual package plans, handicap fees, event deposits, and gift certificates. WIN, LLC records deferred revenue related to membership dues.

**Note 1. Nature of Activities (continued)**

Net position: The Corporation's net position is classified as follows:

Net investment in capital assets: This represents the Corporation's total investment in capital assets, net of accumulated depreciation and amortization and outstanding debt obligations related to those capital assets.

Restricted net position, expendable: Expendable restricted net position includes resources for which the Corporation is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net position: Unrestricted net position includes net resources derived from sales and services.

When both restricted and unrestricted funds are available for expenditures, the Corporation's general policy is to first expense to restricted resources then to unrestricted.

Contributed materials and services: Contributed materials and services are recorded at fair value at the date of donation and are held or used in accordance with donor restrictions.

Capital transfers: Capital transfers included support provided to and from affiliated entities and the University. In fiscal year 2019, the Corporation received net support of approximately \$287,000 from affiliated entities and the University. In fiscal year 2018, the Corporation paid out net support of approximately \$250,000 to affiliated entities and the University.

Revenue recognition: NC State University Centennial Development, LLC recognizes revenues relating to the sale of merchandise, food and beverages at the time of transfer of goods and income relating to greens fees and golf cart rentals at the time of usage. WIN, LLC recognizes revenue relating to membership dues straight-line over the period of benefit.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Income generated by activities that would be considered unrelated to the Corporation's mission would be subject to tax which, if incurred, would be recognized as a current expense. The Corporation had no such taxable unrelated trade or business income for 2019 and 2018. Therefore, no provision for income taxes has been reflected in the accompanying consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Corporation and recognized a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Corporation, and has concluded that as of June 30, 2019 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Corporation is no longer subject to income tax examinations for tax years prior to 2015.

NC State University Partnership Corporation and Affiliates

Notes to Consolidated Financial Statements  
For the years ended June 30, 2019 and 2018

Note 2. Golf Course Property and Equipment

A summary of changes in property and equipment for the year ended June 30, 2019 is presented as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Property and equipment, nondepreciable	\$ 9,762,486	\$ -	\$ -	\$ 9,762,486
Property and equipment, depreciable:				
Modern Greens	512,319	-	-	512,319
Land improvements	367,385	-	-	367,385
Buildings and fixtures	8,158,617	-	-	8,158,617
Equipment	1,166,556	25,660	12,733	1,179,483
Leased equipment	978,676	-	-	978,676
Total property and equipment, depreciable	11,183,553	25,660	12,733	11,196,480
Less accumulated depreciation/amortization for:				
Modern Greens	324,470	34,155	-	358,625
Land improvements	51,779	24,492	-	76,271
Buildings and fixtures	1,185,449	235,037	-	1,420,486
Equipment	1,152,383	5,859	12,733	1,145,509
Leased equipment	468,320	208,831	-	677,151
Total accumulated depreciation/amortization	3,182,401	508,374	12,733	3,678,042
Total property and equipment, depreciable, net	8,001,152	(482,714)	-	7,518,438
Property and equipment, net	\$ 17,763,638	\$ (482,714)	\$ -	\$ 17,280,924

**Note 2. Golf Course Property and Equipment (continued)**

A summary of changes in property and equipment for the year ended June 30, 2018 is presented as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Property and equipment, nondepreciable	\$ 9,762,486	\$ -	\$ -	\$ 9,762,486
Property and equipment, depreciable:				
Modern Greens	512,319	-	-	512,319
Land improvements	367,385	-	-	367,385
Buildings and fixtures	8,158,617	-	-	8,158,617
Equipment	1,159,363	7,193	-	1,166,556
Leased equipment	980,981	31,400	33,705	978,676
Total property and equipment, depreciable	11,178,665	38,593	33,705	11,183,553
Less accumulated depreciation/amortization for:				
Modern Greens	290,315	34,155	-	324,470
Land improvements	27,287	24,492	-	51,779
Buildings and fixtures	950,412	235,037	-	1,185,449
Equipment	1,148,194	4,189	-	1,152,383
Leased equipment	284,113	214,167	29,960	468,320
Total accumulated depreciation/amortization	2,700,321	512,040	29,960	3,182,401
Total property and equipment, depreciable, net	8,478,344	(473,447)	3,745	8,001,152
Property and equipment, net	\$ 18,240,830	\$ (473,447)	\$ 3,745	\$ 17,763,638

**Note 3. Land**

Three tracts of land on Hillsborough Street are held by Bell Tower Holdings, LLC. Two tracts were deeded during the fiscal year 2010 by the Endowment Fund of North Carolina State University (the "Endowment Fund") and are reported on the consolidated financial statements at a cost of \$2,737,554. The third tract was deeded during the fiscal year 2014 by the Endowment Fund and is reported on the consolidated financial statements at its original gift value of \$55,000.

On July 12, 2013, Bell Tower Holdings, LLC entered into a 50-year ground lease agreement for its property with a third party, which allows the lessee to develop, construct, improve, finance, manage, operate, maintain, and repair a first-class limited or select service hotel and retail, office, and commercial uses supportive of the hotel. In consideration, the lessee will provide Bell Tower Holdings, LLC with rent according to an escalating rental schedule for the duration of the lease. The future rentals on the non-cancellable operating lease are \$68,640 per year for the years ending June 30, 2020 through 2023, \$80,080 for the year ending June 30, 2024 and \$6,468,199 in total thereafter, for a total of \$6,822,839. The lease also contains an option to purchase the land, which is \$2.5 million until 2034 when the purchase price begins escalating annually for the remainder of the lease term.

**Note 3. Land (continued)**

On January 26, 2011, CC Holdings, LLC entered into a 65-year ground lease agreement, for which the rent commencement date was May 1, 2014, for land owned by the state of North Carolina with a third party, which allows the lessee to construct, maintain, operate and lease residential residences. In consideration, the lessee will provide CC Holdings, LLC with rent according to a variable rental schedule for the duration of the lease.

**Note 4. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2019 is presented as follows:

	Balance			Balance	
	July 1, 2018	Increases	Decreases	June 30, 2019	Current Portion
Capital lease obligations	\$ 556,237	\$ -	\$ 211,593	\$ 344,644	\$ 200,866
Funds held for others	57,440	58,762	57,440	58,762	58,762
Notes payable	2,785,750	-	-	2,785,750	-
<b>Total long-term liabilities</b>	<b>\$ 3,399,427</b>	<b>\$ 58,762</b>	<b>\$ 269,033</b>	<b>\$ 3,189,156</b>	<b>\$ 259,628</b>

A summary of changes in long-term liabilities for the year ended June 30, 2018 is presented as follows:

	Balance			Balance	
	July 1, 2017	Increases	Decreases	June 30, 2018	Current Portion
Capital lease obligations	\$ 730,815	\$ 31,400	\$ 205,978	\$ 556,237	\$ 211,592
Funds held for others	57,440	57,440	57,440	57,440	57,440
Notes payable	2,785,750	-	-	2,785,750	-
<b>Total long-term liabilities</b>	<b>\$ 3,574,005</b>	<b>\$ 88,840</b>	<b>\$ 263,418</b>	<b>\$ 3,399,427</b>	<b>\$ 269,032</b>

**Note 5. Operating Leases**

During fiscal years 2019 and 2018, NC State University Centennial Development, LLC had operating leases for golf carts and maintenance equipment with total payments of approximately \$5,300 and \$13,200, respectively. During fiscal years 2019 and 2018, LINC, LLC had an operating lease for warehouse space with total payments of approximately \$85,000 each year. Future minimum lease payments at June 30, 2019 under the noncancelable operating leases are approximately \$92,000 for fiscal year 2020, \$88,000 for fiscal year 2021 and \$82,000 for fiscal year 2022.

**Note 6. Capital Leases**

NC State University Centennial Development, LLC has entered into capital leases of certain equipment. The gross amount of assets recorded under capital leases totaled \$978,676 as of June 30, 2019 and 2018, and is included in golf course property and equipment. The assets are amortized over the lesser of their related lease terms or their estimated useful lives. In the event of a bargain purchase price option, the asset is amortized over its useful life. The accumulated amortization on these leased assets was \$677,151 and \$468,320 as of June 30, 2019 and 2018, respectively.

**Note 6. Capital Leases (continued)**

Future minimum lease payments, gross of taxes, under capital leases at June 30, 2019 are as follows:

Years ending June 30:	
2020	\$ 222,709
2021	133,853
2022	20,110
	<u>376,672</u>
Imputed interest	(32,028)
Present value of net minimum lease payments	<u>\$ 344,644</u>

**Note 7. Funds Held for Others**

As of June 30, 2019 and 2018, Bell Tower Holdings, LLC had \$58,762 and \$57,440, respectively, in funds held for others, made up of cumulative earnings. These monies are held on behalf of the Endowment Fund.

**Note 8. Line of Credit**

NC State University Centennial Development, LLC opened a \$300,000 open end revolving line of credit with TowneBank on April 26, 2019. The balance must be paid down to zero for at least one 30 consecutive day period during each consecutive twelve months. The interest rate on the line of credit is PRIME less .25%, which equated to 5.25% as of June 30, 2019. The line is collateralized by all deposits and investments maintained by NC State Centennial Development, LLC with TowneBank. At June 30, 2019, the outstanding balance was \$136,334. The previous line of credit, held with SunTrust Bank, had a balance of \$130,000 as of June 30, 2018 and was closed during fiscal 2019.

**Note 9. Notes Payable**

During the fiscal year ended June 30, 2010, Bell Tower Holdings, LLC signed a promissory note agreeing to pay the Endowment Fund \$2,730,750 in exchange for two tracts of land. All principal and any other amounts are due to the Endowment Fund on January 14, 2040. During the fiscal year ended June 30, 2014, a third tract of land was transferred to Bell Tower Holdings, LLC valued at \$55,000 and the note was increased accordingly with the same terms as the original promissory note. At both June 30, 2019 and 2018, Bell Tower Holdings, LLC owed the Endowment Fund \$2,785,750.

**Note 10. Risk Management**

The Corporation is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The Corporation's affairs are conducted by employees of North Carolina State University and exposures to loss resulting from this arrangement are handled by the University through a combination of methods, including participation in various risk pools administered by the State of North Carolina, purchase of commercial insurance, and self-retention of certain risks. Additional details on the University's risk management program are disclosed in the financial report of the University.

**Note 11. Subsequent Events**

The Corporation has evaluated subsequent events through August 16, 2019, the date which the consolidated financial statements were available to be issued, and there were no subsequent events to report.



## SUPPLEMENTARY INFORMATION

NC State University Partnership Corporation and Affiliates

Consolidating Statement of Net Position  
June 30, 2019

	Leaders in Innovation and Nonwovens Commercialization, LLC	NC State University Centennial Development, LLC	NC State Upfit, LLC	Bell Tower Holdings, LLC
<b>Assets</b>				
Current assets				
Cash	\$ 857,024	\$ 83,851	\$ 1,512	\$ 51,958
Accounts receivable	46,806	14,378	-	-
Taxes receivable	2,934	19,269	-	-
Inventory - golf course	-	131,679	-	-
Prepaid expenses	7,081	9,918	-	-
Other assets	32,750	-	-	-
<b>Total current assets</b>	<b>946,595</b>	<b>259,095</b>	<b>1,512</b>	<b>51,958</b>
Noncurrent assets				
Property and equipment:				
Land	-	-	-	2,792,554
Golf course property and equipment, net	-	17,280,924	-	-
<b>Total property and equipment, net</b>	<b>-</b>	<b>17,280,924</b>	<b>-</b>	<b>2,792,554</b>
<b>Total noncurrent assets</b>	<b>-</b>	<b>17,280,924</b>	<b>-</b>	<b>2,792,554</b>
<b>Total Assets</b>	<b>\$ 946,595</b>	<b>\$ 17,540,019</b>	<b>\$ 1,512</b>	<b>\$ 2,844,512</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 63,340	\$ 130,687	\$ -	\$ -
Current installments of capital lease obligations	-	200,866	-	-
Funds held for others	-	-	-	58,762
Line of credit	-	136,334	-	-
Unearned revenue	-	277,439	-	-
<b>Total current liabilities</b>	<b>63,340</b>	<b>745,326</b>	<b>-</b>	<b>58,762</b>
Long-term liabilities				
Capital lease obligations, less current installments	-	143,778	-	-
Notes payable	-	-	-	2,785,750
<b>Total long-term liabilities</b>	<b>-</b>	<b>143,778</b>	<b>-</b>	<b>2,785,750</b>
<b>Total Liabilities</b>	<b>63,340</b>	<b>889,104</b>	<b>-</b>	<b>2,844,512</b>
<b>Net Position</b>				
Net investment in capital assets	-	16,936,280	-	-
Restricted net position, expendable	-	-	-	-
Unrestricted net position	883,255	(285,365)	1,512	-
<b>Total Net Position</b>	<b>883,255</b>	<b>16,650,915</b>	<b>1,512</b>	<b>-</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 946,595</b>	<b>\$ 17,540,019</b>	<b>\$ 1,512</b>	<b>\$ 2,844,512</b>

NC State CBC Land I, LLC	NC State CC Holdings I, LLC	Wolfpack Investor Network, LLC	C2I, LLC	NC State University Partnership Corporation	Consolidated
\$ 26,561	\$ 48,990	\$ 301,560	\$ 198	\$ 24,916	\$ 1,396,570
-	46,608	-	42,183	-	149,975
-	-	1,371	-	-	23,574
-	-	-	-	-	131,679
-	-	-	-	150,875	167,874
-	-	-	-	-	32,750
26,561	95,598	302,931	42,381	175,791	1,902,422
-	-	-	-	-	2,792,554
-	-	-	-	-	17,280,924
-	-	-	-	-	20,073,478
-	-	-	-	-	20,073,478
\$ 26,561	\$ 95,598	\$ 302,931	\$ 42,381	\$ 175,791	\$ 21,975,900
\$ -	\$ -	\$ 450	\$ -	\$ 14,627	\$ 209,104
-	-	-	-	-	200,866
-	-	-	-	-	58,762
-	-	-	-	-	136,334
-	-	98,050	-	-	375,489
-	-	98,500	-	14,627	980,555
-	-	-	-	-	143,778
-	-	-	-	-	2,785,750
-	-	-	-	-	2,929,528
-	-	98,500	-	14,627	3,910,083
-	-	-	-	-	16,936,280
-	-	-	-	144,480	144,480
26,561	95,598	204,431	42,381	16,684	985,057
26,561	95,598	204,431	42,381	161,164	18,065,817
\$ 26,561	\$ 95,598	\$ 302,931	\$ 42,381	\$ 175,791	\$ 21,975,900

NC State University Partnership Corporation and Affiliates

Consolidating Statement of Net Position  
June 30, 2018

	Leaders in Innovation and Nonwovens Commercialization, LLC	NC State University Centennial Development, LLC	NC State Upfit, LLC	Bell Tower Holdings, LLC
<b>Assets</b>				
Current assets				
Cash	\$ 2,216,472	\$ 92,749	\$ 1,511	\$ 50,636
Accounts receivable	27,834	23,807	-	-
Taxes receivable	6,886	17,756	-	-
Inventory - golf course	-	107,593	-	-
Prepaid expenses	7,081	356	-	-
Other assets	-	-	-	-
<b>Total current assets</b>	<b>2,258,273</b>	<b>242,261</b>	<b>1,511</b>	<b>50,636</b>
Noncurrent assets				
Property and equipment:				
Land	-	-	-	2,792,554
Golf course property and equipment, net	-	17,763,638	-	-
<b>Total property and equipment, net</b>	<b>-</b>	<b>17,763,638</b>	<b>-</b>	<b>2,792,554</b>
<b>Total noncurrent assets</b>	<b>-</b>	<b>17,763,638</b>	<b>-</b>	<b>2,792,554</b>
<b>Total Assets</b>	<b>\$ 2,258,273</b>	<b>\$ 18,005,899</b>	<b>\$ 1,511</b>	<b>\$ 2,843,190</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 676,671	\$ 180,135	\$ -	\$ -
Current installments of capital lease obligations	-	211,592	-	-
Funds held for others	-	-	-	57,440
Line of credit	-	130,000	-	-
Unearned revenue	-	234,497	-	-
<b>Total current liabilities</b>	<b>676,671</b>	<b>756,224</b>	<b>-</b>	<b>57,440</b>
Long-term liabilities				
Capital lease obligations, less current installments	-	344,645	-	-
Notes payable	-	-	-	2,785,750
<b>Total long-term liabilities</b>	<b>-</b>	<b>344,645</b>	<b>-</b>	<b>2,785,750</b>
<b>Total Liabilities</b>	<b>676,671</b>	<b>1,100,869</b>	<b>-</b>	<b>2,843,190</b>
<b>Net Position</b>				
Net investment in capital assets	-	17,207,401	-	-
Restricted net position, expendable	-	-	-	-
Unrestricted net position	1,581,602	(302,371)	1,511	-
<b>Total Net Position</b>	<b>1,581,602</b>	<b>16,905,030</b>	<b>1,511</b>	<b>-</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 2,258,273</b>	<b>\$ 18,005,899</b>	<b>\$ 1,511</b>	<b>\$ 2,843,190</b>

NC State CBC Land I, LLC	NC State CC Holdings I, LLC	Wolfpack Investor Network, LLC	NC State University Partnership Corporation	Consolidated
\$ 28,491	\$ 5,150	\$ 209,537	\$ 21,724	\$ 2,626,270
-	46,608	-	-	98,249
-	-	619	-	25,261
-	-	-	-	107,593
-	-	-	151,449	158,886
-	-	-	-	-
28,491	51,758	210,156	173,173	3,016,259
-	-	-	-	2,792,554
-	-	-	-	17,763,638
-	-	-	-	20,556,192
-	-	-	-	20,556,192
\$ 28,491	\$ 51,758	\$ 210,156	\$ 173,173	\$ 23,572,451
\$ -	\$ -	\$ 185	\$ 683	\$ 857,674
-	-	-	-	211,592
-	-	-	-	57,440
-	-	-	-	130,000
-	-	92,333	-	326,830
-	-	92,518	683	1,583,536
-	-	-	-	344,645
-	-	-	-	2,785,750
-	-	-	-	3,130,395
-	-	92,518	683	4,713,931
-	-	-	-	17,207,401
-	-	-	168,287	168,287
28,491	51,758	117,638	4,203	1,482,832
28,491	51,758	117,638	172,490	18,858,520
\$ 28,491	\$ 51,758	\$ 210,156	\$ 173,173	\$ 23,572,451

NC State University Partnership Corporation and Affiliates

Consolidating Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2019

	Leaders in Innovation and Nonwovens Commercialization, LLC	NC State University Centennial Development, LLC	NC State Upfit, LLC	Bell Tower Holdings, LLC
<b>Operating Revenues and Expenses:</b>				
Operating revenues:				
Contracted services revenue	\$ 263,460	\$ -	\$ -	\$ -
Membership fees	-	-	-	-
Merchandise sales	-	434,414	-	-
Greens fees income	-	1,336,585	-	-
Golf cart income	-	228,685	-	-
Food and beverage sales	-	51,807	-	-
Rental income	-	-	-	68,640
Other operating revenue	16,248	281,656	1	22
<b>Total operating revenues</b>	<b>279,708</b>	<b>2,333,147</b>	<b>1</b>	<b>68,662</b>
Operating expenses:				
Cost of sales	18,944	291,812	-	-
General operating expenses:				
Marketing expense	-	42,458	-	-
Contracted services expense	308,055	454,810	-	-
General and administrative expense	39,979	180,249	-	9,000
Clubhouse expense	-	349,817	-	-
Repairs and maintenance expense	316,623	196,976	-	-
Rental expense	78,065	32,970	-	-
Supplies expense	197,385	-	-	-
Utilities expense	2,229	-	-	-
Insurance expense	1,651	39,136	-	700
Membership expenses	-	-	-	-
Other current services	15,124	657,201	200	200
<b>Total general operating expenses</b>	<b>959,111</b>	<b>1,953,617</b>	<b>200</b>	<b>9,900</b>
Capital transfers (in) out	-	(207,399)	(200)	58,762
<b>Net operating (loss) income prior to depreciation and amortization</b>	<b>(698,347)</b>	<b>295,117</b>	<b>1</b>	<b>-</b>
Depreciation expense	-	299,543	-	-
Amortization expense	-	208,831	-	-
<b>Net operating expenses</b>	<b>978,055</b>	<b>2,546,404</b>	<b>-</b>	<b>68,662</b>
<b>Net Operating (Loss) Income</b>	<b>(698,347)</b>	<b>(213,257)</b>	<b>1</b>	<b>-</b>
Nonoperating Expenses				
Interest and fees on debt	-	(40,858)	-	-
Gain on disposal of property and equipment	-	-	-	-
<b>Total Nonoperating Expenses</b>	<b>-</b>	<b>(40,858)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(698,347)</b>	<b>(254,115)</b>	<b>1</b>	<b>-</b>
Net Position				
Beginning of year	1,581,602	16,905,030	1,511	-
End of year	\$ 883,255	\$ 16,650,915	\$ 1,512	\$ -

NC State CBC Land I, LLC	NC State CC Holdings I, LLC	Wolfpack Investor Network, LLC	C2I, LLC	NC State University Partnership Corporation	Consolidated
\$ -	\$ -	\$ -	\$ -	\$ -	263,460
-	-	201,083	-	-	201,083
-	-	-	-	-	434,414
-	-	-	-	-	1,336,585
-	-	-	-	-	228,685
-	-	-	-	-	51,807
-	279,650	-	-	-	348,290
20	90	1,334	42,183	3,407	344,961
20	279,740	202,417	42,183	3,407	3,209,285
-	-	-	-	-	310,756
-	-	-	-	-	42,458
-	-	57,351	-	-	820,216
1,500	8,500	27,808	12,500	20,307	299,843
-	-	-	-	-	349,817
-	-	27	-	-	513,626
-	-	-	-	308,519	419,554
-	-	-	-	-	197,385
-	-	-	-	31,632	33,861
250	700	700	-	4,851	47,988
-	-	26,972	-	-	26,972
200	200	2,766	327	699	676,917
1,950	9,400	115,624	12,827	366,008	3,428,637
-	226,500	-	(13,025)	(351,275)	(286,637)
(1,930)	43,840	86,793	42,381	(11,326)	(243,471)
-	-	-	-	-	299,543
-	-	-	-	-	208,831
1,950	235,900	115,624	(198)	14,733	3,961,130
(1,930)	43,840	86,793	42,381	(11,326)	(751,845)
-	-	-	-	-	(40,858)
-	-	-	-	-	-
-	-	-	-	-	(40,858)
(1,930)	43,840	86,793	42,381	(11,326)	(792,703)
28,491	51,758	117,638	-	172,490	18,858,520
\$ 26,561	\$ 95,598	\$ 204,431	\$ 42,381	\$ 161,164	\$ 18,065,817

NC State University Partnership Corporation and Affiliates

Consolidating Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2018

	Leaders in Innovation and Nonwovens Commercialization, LLC	NC State University Centennial Development, LLC	NC State Upfit, LLC	Bell Tower Holdings, LLC
<b>Operating Revenues and Expenses:</b>				
Operating revenues:				
Contracted services revenue	\$ 831,315	\$ -	\$ -	\$ -
Membership fees	-	-	-	-
Merchandise sales	-	385,827	-	-
Greens fees income	-	1,168,047	-	-
Golf cart income	-	253,986	-	-
Food and beverage sales	-	51,424	-	-
Rental income	-	-	-	68,640
Other operating revenue	26,956	321,292	-	-
<b>Total operating revenues</b>	<b>858,271</b>	<b>2,180,576</b>	<b>-</b>	<b>68,640</b>
Operating expenses:				
Cost of sales	656,928	264,648	-	-
General operating expenses:				
Marketing expense	-	59,096	-	-
Contracted services expense	328,401	1,075,149	-	-
General and administrative expense	38,483	168,952	-	10,250
Clubhouse expense	-	273,292	-	-
Repairs and maintenance expense	26,616	204,937	-	-
Rental expense	84,978	47,160	-	-
Supplies expense	3,253,721	-	-	-
Utilities expense	2,503	-	-	-
Insurance expense	21,581	42,818	-	750
Membership expenses	-	-	-	-
Other current services	201	51,659	200	200
<b>Total general operating expenses</b>	<b>3,756,484</b>	<b>1,923,063</b>	<b>200</b>	<b>11,200</b>
Capital transfers out (in)	500,000	(188,825)	(200)	57,440
Net operating (loss) income prior to depreciation and amortization	(4,055,141)	181,690	-	-
Depreciation expense	-	297,873	-	-
Amortization expense	-	214,167	-	-
<b>Net operating expenses</b>	<b>4,913,412</b>	<b>2,510,926</b>	<b>-</b>	<b>68,640</b>
<b>Net Operating (Loss) Income</b>	<b>(4,055,141)</b>	<b>(330,350)</b>	<b>-</b>	<b>-</b>
Nonoperating Expenses				
Interest and fees on debt	-	(48,724)	-	-
Gain on disposals of property and equipment	-	720	-	-
<b>Total Nonoperating Expenses</b>	<b>-</b>	<b>(48,004)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(4,055,141)</b>	<b>(378,354)</b>	<b>-</b>	<b>-</b>
Net Position				
Beginning of year	5,636,743	17,283,384	1,511	-
End of year	\$ 1,581,602	\$ 16,905,030	\$ 1,511	\$ -



NC State CBC Land I, LLC	NC State CC Holdings I, LLC	Wolfpack Investor Network, LLC	NC State University Partnership Corporation	Consolidated
\$ -	\$ -	\$ -	\$ -	831,315
-	-	159,167	-	159,167
-	-	-	-	385,827
-	-	-	-	1,168,047
-	-	-	-	253,986
-	-	-	-	51,424
-	279,650	-	-	348,290
16,800	-	668	155	365,871
16,800	279,650	159,835	155	3,563,927
-	-	-	-	921,576
-	-	-	-	59,096
-	-	-	-	1,403,550
-	10,250	26,069	9,000	263,004
-	-	-	-	273,292
-	-	-	-	231,553
-	-	-	262,830	394,968
-	-	-	-	3,253,721
-	-	-	9,158	11,661
-	750	750	4,901	71,550
-	-	16,274	-	16,274
200	200	1,730	-	54,390
200	11,200	44,823	285,889	6,033,059
-	273,000	-	(391,800)	249,615
16,600	(4,550)	115,012	106,066	(3,640,323)
-	-	-	-	297,873
-	-	-	-	214,167
200	284,200	44,823	(105,911)	7,716,290
16,600	(4,550)	115,012	106,066	(4,152,363)
-	-	-	-	(48,724)
-	-	-	-	720
-	-	-	-	(48,004)
16,600	(4,550)	115,012	106,066	(4,200,367)
11,891	56,308	2,626	66,424	23,058,887
\$ 28,491	\$ 51,758	\$ 117,638	\$ 172,490	\$ 18,858,520



## **INTERNAL CONTROL AND COMPLIANCE MATTERS**

**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**

To the Board of Directors  
NC State University Partnership Corporation and Affiliates  
Raleigh, North Carolina

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 consolidated financial statements of NC State University Partnership Corporation and Affiliates (the "Corporation") as of and for the year ended June 30, 2019, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 16, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Williams Dverman Pierce, LLP*

Raleigh, North Carolina  
August 16, 2019