

**ECONOMIC DEVELOPMENT PARTNERSHIP
OF NORTH CAROLINA, INC.**
(A Component Unit of the State of North Carolina)

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2025

And Reports of Independent Auditor

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
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Report of Independent Auditor

To the Board of Directors
Economic Development Partnership of North Carolina, Inc.
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Economic Development Partnership of North Carolina, Inc. (the "Organization"), a component unit of the state of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Organization as of June 30, 2025, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Organization's ability to continue as a going concern for twelve months beyond the financial statements including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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.

Emphasis of Matter

As discussed in Note 2A, the financial statements of the Organization are intended to present the financial position and changes in financial position that are only attributable to the transactions of the Organization. They do not purport to, and do not, present fairly the financial position of the state of North Carolina as of June 30, 2025, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Cherry Bekaert LLP

Raleigh, North Carolina
August 29, 2025

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Financial Highlights

As management of the Economic Development Partnership of North Carolina, Inc. (the "Organization" or "EDPNC"), we offer the readers of the Organization's financial statements this narrative overview and analysis of the financial activities of the Organization as of and for the year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Organization's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Organization exceeded its liabilities at the close of the fiscal year by \$9,234,422 (net position).
- The Organization increased its total net position \$857,267 from prior year.
- Private fundraising revenues for the fiscal year were \$1,639,384.
- As of the close of the fiscal year, the Organization's general fund reported an ending fund balance of \$9,209,076. Approximately 43.46% of this total amount, or \$ \$4,002,678, is available for spending at the Organization's discretion (unassigned fund balance) and will be a resource for strategic initiatives, such as those mentioned within the organizational highlights section of this analysis. The nonspendable fund balance in the amount of \$615,969 is related to prepaid items that will be recognized in fiscal year 2026. The assigned fund balance in the amount of \$3,489,291 represents amounts to be used for tourism development activities, and \$1,101,138 represents amounts to be used for Megasite and Selectsite activities.

Organizational Highlights

During fiscal year 2025, EDPNC remained focused on its core mission – to improve the economic well-being and quality of life for all North Carolinians – by recruiting new business operations to the state, supporting existing employers, helping companies increase international sales, counseling small-business startups, and promoting the state as a tourism destination. In collaboration with Governor's Office, N.C. Department of Commerce and other state, regional, local, and private sector partners, EDPNC generated positive outcomes across all of the organization's primary functions. EDPNC and partners were able to celebrate nearly 30,000 announced new jobs and another #1 ranking in CNBC's Top States for Business for the third time in the past four years. However, EDPNC was also called on to support the western region of the state in its recovery from the devastation left by Hurricane Helene. From business outreach and support to conducting a business loss assessment to inform policymakers to running western North Carolina ("WNC") tourism marketing campaigns, fiscal year 2025 was also a story of recovery and resilience for North Carolina.

EDPNC and partners successfully competed for 128 business recruitment and expansion projects resulting in the announcement of 29,983 new jobs in North Carolina and \$25.3 billion in investment, both marks doubling the previous year's tallies. The year was headlined by JetZero's plans for a new commercial airplane manufacturing facility at Piedmont Triad International Airport. The commitment to create 14,564 jobs is the largest jobs announcement in state history. Also announced were Jabil's 2,004-job, \$264 million manufacturing facility in Rowan County; Amazon Web Services' 500-job, \$10 billion investment in Richmond County; Pratt & Whitney's 325-job, \$285 million commitment to Buncombe County; and a flurry of life sciences and biotechnology announcements including, among others, Amgen and Genentech in Wake County and Johnson & Johnson and Idexx Laboratories in Wilson County.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Organizational Highlights (continued)

In fiscal year 2025, EDPNC's Marketing and Research team continued its efforts to market North Carolina as the premier state for doing business through its "All in North Carolina" campaign. Launched in 2021 with funding from the North Carolina General Assembly, "All in North Carolina" is an integrated national advertising campaign to increase top-of-mind awareness and consideration of North Carolina among business decision-makers, including C-suite executives and site selection advisors. Led by the Marketing and Business Development teams, EDPNC also promoted North Carolina through participation in international events, highlighted by the hosting of the SEUS-Japan Annual Joint Meeting in Charlotte, NC during October of 2024. The event convened business and government leaders from Japan and the southeastern United States, providing an opportunity to showcase North Carolina and strengthen ties with leaders in a key international market.

The EDPNC's existing industry expansions managers, who operate in multicounty regions throughout the state, help NC companies identify barriers to growth and serve as resource matchmakers to help companies address those barriers. The existing industry managers not only connect companies to workforce development and other resources, but they also support businesses when it is time to launch an expansion. In fiscal year 2025, the team welcomed 63 expansions across the state, for more than \$2.3 billion in investment and 4,671 jobs. Fifty of those projects were in Tier 1 and Tier 2 counties.

The EDPNC offers another specialized service to North Carolina companies: assisting them to enter foreign markets and expand their international sales. In fiscal year 2025, the EDPNC's international trade managers and foreign offices provided export assistance to 463 companies across all eight multicounty 'Prosperity Zones.' The assistance included providing market intelligence and strategies, product analysis, distributor searches, localization of websites and marketing materials, and support at trade shows and trade missions. During fiscal year 2025, the international trade team developed a new trade accelerator program – expected to launch in late 2025 – that will guide a cohort of North Carolina companies through an intensive curriculum and culminate in an international trade mission.

Through its toll-free line, email, and web submissions, the EDPNC's Small Business Advisors help entrepreneurs understand the licenses, permits, and other requirements for establishing a business in the state. They also support small businesses by providing information on grants, loans, and other resources. Over the course of the year, the team responded to over 11,517 requests for information and support from individuals starting businesses primarily in retail, food and accommodations, construction, shipping and transportation, healthcare and social assistance.

EDPNC's Visit NC team responded immediately to Hurricane Helene's destruction through extensive partner communications, proactive media relations, its well-publicized interactive Travel Advisory map, and more. The team's focus quickly shifted to supporting the mountain destinations less affected and able to welcome visitors during the vital fall, holiday/winter, and spring seasons. As seasons progressed into spring and summer, efforts evolved to emphasize travel inspiration. Visit NC has continued to leverage the additional, incremental recovery funds with the same sense of urgency and commitment. With a robust summer campaign in motion, emphasis remains on strengthening and extending the campaign's reach and effectiveness through summer, fall, and winter 2025 – to inspire travel and help revitalize Western North Carolina's vital tourism economy.

Despite significant headwinds brought on by Hurricane Helene, tourism in North Carolina continued to break records in 2024, with travel spending statewide rising to \$36.7 billion. That total eclipsed the previous record of \$35.6 billion set in 2023. Direct tourism employment also increased statewide by 1.4% to 230,338 in 2024.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
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MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Organizational Highlights (continued)

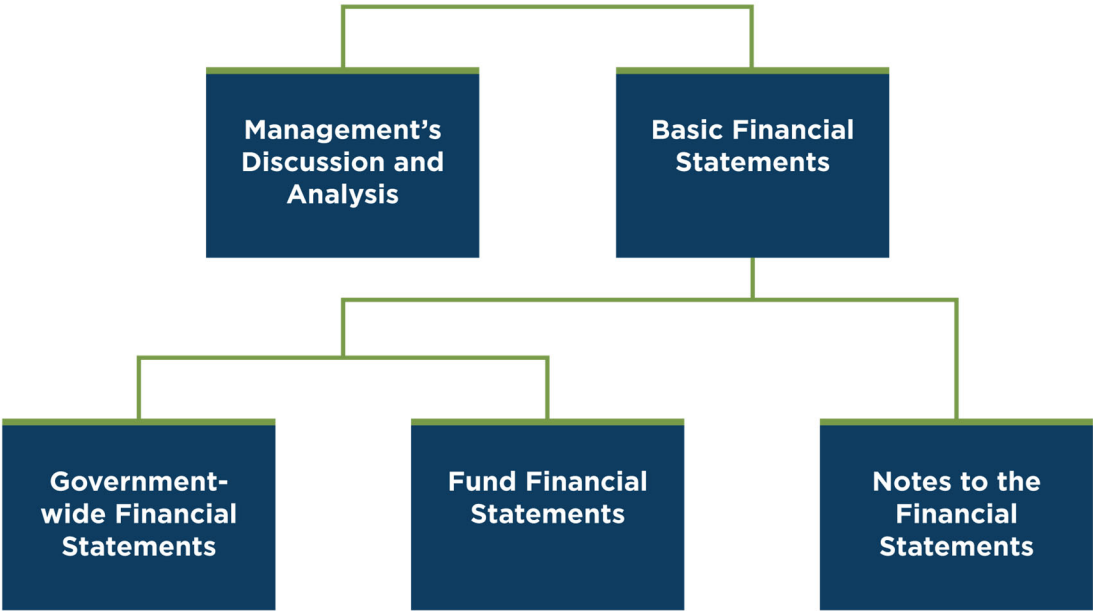
The EDPNC’s successes in fiscal year 2025 would not have been possible without our public and private partners at the state, regional, and local levels. We are thankful to all the members of the state’s diverse economic development team, including Governor Josh Stein, Secretary of Commerce Lee Lilley, their predecessors Governor Roy Cooper, and Secretary Machel Sanders, and the leadership of the North Carolina General Assembly. We are also thankful to all our investors, whose contributions to our mission better enable us to attract new businesses and visitors to the state and to support the businesses and citizens already here.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization’s basic financial statements. Because the Organization is engaged in a single governmental program, the fund financial statements and the government-wide statements are combined using a columnar format that reconciles the individual fund financial data in a separate column on the face of the financial statements. The financial statements also include notes that explain some of the information and provide more detailed data. Please see Figure 1 for a visual breakdown of the required components of our Annual Financial Report.

Required Components of Annual Financial Report

Figure 1



ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Organization's finances, similar in format to a financial statement of a private-sector business. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. As a component unit of state government, it is this financial data that is reported to the North Carolina Office of the State Controller for inclusion in the *Annual Comprehensive Financial Report*.

The statement of net position presents the Organization's information that includes all of the Organization's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Measuring changes in the net position is one way to gauge the Organization's financial condition.

The statement of activities reports how the Organization's net position changed during the current fiscal year. All current period revenues and expenses are included regardless of when cash is received or paid.

Fund Financial Statements

The fund financial statements provide a detailed look at the Organization's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Organization, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements. The Organization only has one fund category: governmental funds.

Governmental funds account for essentially the same functions reported within the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in governmental funds, as compared to being capitalized in the government-wide financial statements. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources. As noted above, the fund financials and the government-wide financials are combined on each of the basic financial statements for the Organization with a reconciling adjusting column. These combined statements can be found on pages 13 and 14 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 15 of this report.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Interdependence with Other Entities

The Organization depends on the financial resources flowing from, or associated with, the state of North Carolina. Because of this dependency, the Organization is subject to changes in specific flows of intergovernmental revenues based on modifications to state laws and state appropriations.

Government-Wide Financial Analysis
The Organization's Net Position
(with Prior Year Comparisons)

| Governmental Activities | June 30, 2025 | June 30, 2024 |
|---|----------------------|----------------------|
| Assets: | | |
| Current and other assets | \$ 129,881,779 | \$ 37,061,637 |
| Capital Assets: | | |
| Right-to-use assets, net of accumulated amortization | 630,145 | 1,247,222 |
| Other capital assets, net of accumulated depreciation | 161,906 | 361,526 |
| Total Assets | 130,673,830 | 38,670,385 |
| Liabilities: | | |
| Current liabilities | 121,336,472 | 29,612,664 |
| Long-term liabilities | 102,936 | 680,566 |
| Total Liabilities | 121,439,408 | 30,293,230 |
| Net Position: | | |
| Net investment in capital assets | 102,703 | 229,636 |
| Unrestricted | 9,131,719 | 8,147,519 |
| Total Net Position | \$ 9,234,422 | \$ 8,377,155 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Organization exceeded liabilities by \$9,234,422 as of June 30, 2025. The Organization's net position increased by \$857,267 for the period ended June 30, 2025.

The Organization's current assets increased by \$92,820,142 and current liabilities increased by \$91,723,808 from the prior period primarily due to the increase in cash and advanced payments received related to Megasite and Selectsite funding received but not yet spent as of June 30, 2025.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

The Organization's Changes in Net Position
(with Prior Year Comparisons)

| Governmental Activities | <u>June 30, 2025</u> | <u>June 30, 2024</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| Revenues: | | |
| State contract funding | \$ 46,139,719 | \$ 38,066,597 |
| Private funding | 1,639,384 | 1,309,863 |
| Federal grants | 1,135,675 | 1,188,683 |
| Interest income | 1,443,839 | 766,468 |
| Other revenue | 2,108,808 | 958,082 |
| Total Revenues | <u>52,467,425</u> | <u>42,289,693</u> |
| Expenses: | | |
| Advertising and promotion | 32,404,714 | 25,595,038 |
| Megasite and Selectsite Grants | 759,693 | - |
| Personnel | 9,492,618 | 8,142,398 |
| Professional fees | 2,275,433 | 2,361,124 |
| Travel and prospect hospitality | 749,164 | 917,741 |
| Facilities | 919,301 | 921,503 |
| Trade show | 3,622,625 | 1,630,123 |
| Computer and internet | 884,465 | 731,514 |
| Other | 502,145 | 571,433 |
| Total Expenses | <u>51,610,158</u> | <u>40,870,874</u> |
| Change in net position | 857,267 | 1,418,819 |
| Net position, beginning of period | <u>8,377,155</u> | <u>6,958,336</u> |
| Net position, end of period | <u>\$ 9,234,422</u> | <u>\$ 8,377,155</u> |

The Organization's total revenues for the year ended June 30, 2025 increased \$10,177,732 from the period ended June 30, 2024, an increase of 24.07%. The state contract funding represented 87.94% of the total revenues, private funding represented 3.12% of the total revenues, federal grants funding represented 2.16% of total revenues, and interest income represented 2.75% of the total revenues in the current year.

The Organization's total expenses increased \$10,739,284 or 26.28% from the prior period due to spending on advertisement for recovery of Western North Carolina tourism.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Governmental Activities

Through its contract with the North Carolina Department of Commerce, the Organization operates as the sales and marketing arm of the state of North Carolina related to developing North Carolina's economy. The Organization is responsible for business marketing and recruitment, existing industry and small business support, export assistance, and tourism, film, and sports development. The Organization works to guide development efforts toward the creation and retention of high-quality jobs through new business attraction, existing business support, and the cultivation of the tourism and film industries.

Financial Analysis of the Organization's Funds

As noted earlier, the Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The Organization's governmental funds provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Organization's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the only operating fund of the Organization. At the end of the current period, unassigned fund balance of the general fund was \$4,002,678.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Capital Assets and Long-Term Liabilities

Capital Assets

The Organization's capital assets consisted of the following as of June 30:

| | 2025 | 2024 |
|---|--------------------------|----------------------------|
| Vehicle right-to-use asset | \$ 353,207 | \$ 324,926 |
| Office space right-to-use asset | 2,603,368 | 2,603,368 |
| Other equipment right-to-use asset | 41,018 | 41,018 |
| Furniture | 272,784 | 272,784 |
| Leasehold improvement | 396,098 | 396,098 |
| Hardware | 110,868 | 89,962 |
| | <u>3,777,343</u> | <u>3,728,156</u> |
| Less: Accumulated Depreciation and Amortization: | | |
| Vehicle right-to-asset | (151,050) | (72,898) |
| Office space right-to-use asset | (2,188,844) | (1,636,145) |
| Other equipment right-to-use asset | (27,554) | (13,047) |
| Furniture | (272,784) | (232,855) |
| Leasehold improvement | (284,697) | (136,159) |
| Hardware | (60,363) | (28,304) |
| | <u>(2,985,292)</u> | <u>(2,119,408)</u> |
| Total Capital Assets, Net | <u><u>\$ 792,051</u></u> | <u><u>\$ 1,608,748</u></u> |

Additional information on the Organization's capital assets can be found in Note 5 to the financial statements.

Long-Term Liabilities

The Organization's long-term liabilities consisted of the following as of June 30:

| | 2025 | 2024 |
|-----------------------------|--------------------------|--------------------------|
| Lease liabilities | \$ 689,348 | \$ 1,379,112 |
| Compensated absences | 257,069 | 247,195 |
| Total Long-Term Liabilities | 946,417 | 1,626,307 |
| Current portion | <u>(843,481)</u> | <u>(945,741)</u> |
| Long-Term Portion | <u><u>\$ 102,936</u></u> | <u><u>\$ 680,566</u></u> |

Additional information on the Organization's long-term liabilities can be found in Note 7 to the financial statements.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Requests for Information

This report is designed to provide an overview of the Organization's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Christopher M. Chung, CEO
Economic Development Partnership of North Carolina, Inc.
150 Fayetteville Street, Suite 1200
Raleigh, NC 27601
(919) 447-7777

Other sources of information about the Organization can be found in the Organization's annual report to the North Carolina General Assembly (via inclusion in the North Carolina Department of Commerce's annual report to the same) and on our website: www.edpnc.com.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION

JUNE 30, 2025

| | General Fund | Adjustments (Note 3) | Statement of Net Position |
|--|-------------------------|---------------------------------|--------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 11,753,089 | \$ - | \$ 11,753,089 |
| Restricted cash and cash equivalents | 117,048,300 | - | 117,048,300 |
| Accounts receivable | 464,421 | - | 464,421 |
| Prepaid assets and deposits | 615,969 | - | 615,969 |
| Capital Assets: | | | |
| Right-to-use asset, net of accumulated amortization of \$2,367,448 | - | 630,145 | 630,145 |
| Other capital assets, net of accumulated depreciation of \$617,844 | - | 161,906 | 161,906 |
| Total Assets | 129,881,779 | 792,051 | 130,673,830 |
| LIABILITIES | | | |
| Accounts payable | 281,684 | 2,965 | 284,649 |
| Accrued liabilities | 216,221 | 61,583 | 277,804 |
| Advanced payments received | 119,930,538 | - | 119,930,538 |
| Long-Term Liabilities: | | | |
| Lease liabilities, due within one year | - | 586,412 | 586,412 |
| Lease liabilities, due in more than one year | - | 102,936 | 102,936 |
| Compensated absences, due within one year | - | 257,069 | 257,069 |
| Total Liabilities | 120,428,443 | 1,010,965 | 121,439,408 |
| DEFERRED INFLOW OF RESOURCES | 244,260 | (244,260) | - |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid items | 615,969 | (615,969) | - |
| Assigned: | | | |
| Tourism | 3,489,291 | (3,489,291) | - |
| Megasite and Selectsite | 1,101,138 | (1,101,138) | - |
| Unassigned | 4,002,678 | (4,002,678) | - |
| Total Fund Balances | 9,209,076 | (9,209,076) | - |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 129,881,779 | | |
| NET POSITION | | | |
| Net investment in capital assets | | 102,703 | 102,703 |
| Unrestricted | | 9,131,719 | 9,131,719 |
| Total Net Position | | \$ 9,234,422 | \$ 9,234,422 |

The accompanying notes to the financial statements are an integral part of these statements.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.**(A Component Unit of the State of North Carolina)****GOVERNMENTAL FUND REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES***YEAR ENDED JUNE 30, 2025*

| | General Fund | Adjustments (Note 3) | Statement of Activities |
|--|-------------------------|---------------------------------|------------------------------------|
| Expenditures/Expenses: | | | |
| Advertising and event promotion | \$ 32,404,714 | \$ - | \$ 32,404,714 |
| Megasite and Selectsite Grants | 759,693 | - | 759,693 |
| Personnel | 9,451,159 | 41,459 | 9,492,618 |
| Professional fees | 2,275,433 | - | 2,275,433 |
| Travel and prospect hospitality | 870,383 | (121,219) | 749,164 |
| Facilities | 329,002 | 590,299 | 919,301 |
| Trade show | 3,622,625 | - | 3,622,625 |
| Computer and internet | 884,465 | - | 884,465 |
| Debt Service: | | | |
| Principal | 652,419 | (652,419) | - |
| Interest and other charges | 59,339 | (59,339) | - |
| Capital outlay | 49,187 | (49,187) | - |
| Other expense | 114,605 | 387,540 | 502,145 |
| Total Expenditures/Expenses | <u>51,473,024</u> | <u>137,134</u> | <u>51,610,158</u> |
| Program Revenues: | | | |
| Federal Operating Grants: | | | |
| Other federal grants | 1,138,718 | (3,043) | 1,135,675 |
| Charges for services and other revenue | 2,108,808 | - | 2,108,808 |
| Interest income | 1,443,839 | - | 1,443,839 |
| Total Program Revenues | <u>4,691,365</u> | <u>(3,043)</u> | <u>4,688,322</u> |
| Net Program Expenditures/Expenses | <u>(46,781,659)</u> | <u>(140,177)</u> | <u>(46,921,836)</u> |
| General Revenues: | | | |
| State contract funding | 46,139,719 | - | 46,139,719 |
| Private funding | 1,639,384 | - | 1,639,384 |
| Total General Revenues | <u>47,779,103</u> | <u>-</u> | <u>47,779,103</u> |
| Excess of Revenues over Expenditures/Expenses | 997,444 | (140,177) | 857,267 |
| Other Financing Sources: | | | |
| Debt Issuances: | | | |
| Lease liabilities issued | 28,281 | (28,281) | - |
| Total Other Financing Sources | <u>28,281</u> | <u>(28,281)</u> | <u>-</u> |
| Net change in fund balance/net position | 1,025,725 | (168,458) | 857,267 |
| Fund Balances/Net Position: | | | |
| Beginning of period | 8,183,351 | 193,804 | 8,377,155 |
| End of period | <u>\$ 9,209,076</u> | <u>\$ 25,346</u> | <u>\$ 9,234,422</u> |

The accompanying notes to the financial statements are an integral part of these statements.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—The Organization

The Economic Development Partnership of North Carolina, Inc. (the “Organization”) was incorporated in the State of North Carolina on August 6, 2013. The Organization’s mission statement is to improve the economic well-being and quality of life of North Carolinians. The Organization began operations on October 6, 2014, upon the completion of the initial fundraising requirements of its contract with the North Carolina Department of Commerce. This contract calls on the Organization to assist the Department of Commerce with “fostering and retaining jobs and business development, international trade, marketing, and travel and tourism” functions. The Organization is governed by a 18-member board, which is selected as follows: nine directors, including the chair, appointed by the Governor of the State of North Carolina, four directors appointed by the Speaker of the House of Representatives of the State of North Carolina, four directors appointed by the President Pro Tempore of the Senate of the State of North Carolina, and the Secretary of the North Carolina Department of Commerce as an ex officio director.

Note 2—Summary of significant accounting policies

A. Reporting Entity

For financial reporting purposes, the Organization is a discretely presented component unit of the primary government of the State of North Carolina (“State”) and is an integral part of the State’s *Annual Comprehensive Financial Report*. These financial statements for the Organization are separate and apart from those of the State and do not present the financial position of the State nor changes in the State’s financial position.

B. Basis of Presentation

Government-Wide and Fund Financial Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the financial activities of the Organization. The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are reported as general revenues.

Because the Organization is engaged in a single governmental program, the fund financial statements and the government-wide statements are combined using a columnar format that reconciles the individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements.

Fund Financial Statements – The Organization maintains fund accounting in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Organization at a more detailed level.

Governmental Funds – Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund is the Organization’s operating fund. It accounts for all financial resources of the Organization. The primary revenue sources are State contract funding, grants, and private funding. The primary expenditures are advertising and promotion costs, personnel costs, and trade show costs.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

C. Measurement Focus and Basis of Accounting

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenues, the recording of deferred inflows, the presentation of expenses versus expenditures, the recording of capital assets, the recognition of depreciation, and the recording of long-term liabilities.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position is used as a practical measure of economic resources and the statement of activities includes all transactions and events that increased or decreased net position. Depreciation and amortization are charged as an expense against current operations and accumulated depreciation and accumulated amortization are reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within 60 days after the period-end. Expenditures are recognized when the liability is incurred, except for claims, compensated absences, and interest on long-term debt which are recorded when normally expected to be liquidated with expendable available financial resources. Proceeds from issuance of long-term debt and leases are recognized when received and payment of long-term debt and lease principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

Non-exchange transactions, in which the Organization receives value without directly giving equal value in return, include grants and contributions. Revenues from grants and contributions are recognized when all eligibility requirements imposed by the provider have been satisfied. Eligibility requirements include timing requirements, which specify the year in which resources are required to be used, or the year in which use is first permitted. The matching requirements and expenditure requirements specify in which year the resources are provided to the Organization on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Under the terms of grant agreements, the Organization funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Organization's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. Additionally, when both restricted and unrestricted non-grant resources are available for use, it is the Organization's policy to use restricted resources first, then unrestricted resources as they are needed.

The Organization has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Organization will use resources in the following order: debt proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Organization has the authority to deviate from this policy if it is in the best interest of the Organization.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

D. Accounts Receivable

Accounts receivable is stated at the amount the Organization expects to collect. The Organization uses the allowance method to determine uncollectible accounts. The allowance is based on management's analysis of the account. Accounts are charged off to the allowance when management deems the account will not be collectible. Past due status is based on how recently payments have been made on the account. The Organization estimates the accounts receivable at June 30, 2025, will be fully collectible; therefore, no allowance has been established.

E. Prepaid Assets and Deposits

Prepaid assets and deposits consist primarily of amounts paid for future event expenses and promotional costs. At June 30, 2025, prepaid assets and deposits totaled \$615,969.

F. Capital Assets

Capital assets generally result from expenditures in the governmental funds which have an initial, aggregate cost of more than \$5,000 and estimated useful life in excess of one year. Vehicles are assigned a useful life of four years. Furniture is assigned a useful life of five years. Hardware is assigned a useful life of three years. Leasehold improvements are assigned a useful life of two and a half years. The right-to-use assets are amortized on a straight-line basis over the life of the related lease. These assets appear as a reconciling item and are reported in the government-wide statement of net position.

Capital assets are recorded at cost and updated for additions and retirements during the period. Donated capital assets are recorded at their estimated fair value as of the date received. Improvements are capitalized and the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service.

The Organization reviews the carrying value of capital assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated, future cash flows expected to result from its use and eventual disposition. In cases where the fair value is less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, and the effects of obsolescence, demand, competition, and other economic factors. There were no events or circumstances identified as of June 30, 2025 to evaluate for impairment.

All reported capital assets are depreciated using the straight-line method over estimated useful lives of the assets.

G. Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities, other than interest payable on lease liabilities and supplemental executive plan accrual, are reported in both the governmental fund financial statements and the government-wide statements and all long-term obligations are reported in only the government-wide statements.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

H. Net Position

Net position is displayed in three components on the statement of net position in the government-wide column:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any lease obligations or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted Net Position – Consists of net position constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. As of June 30, 2025, there were none to report.

Unrestricted Net Position – Consists of all other net positions that do not meet the definition of net investment in capital assets or restricted net position.

I. Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance consists of the following:

Prepaid Items – Portion of fund balance that is not an available resource because it represents the period-end balance of ending prepaid expenses, which are not spendable resources.

Restricted Fund Balance – Portion of fund balance that is restricted to specific purposes externally imposed by contracts or imposed by law. As of June 30, 2025, there were none to report.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Organization's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. As of June 30, 2025, there were none to report.

Assigned Fund Balance – Portion of fund balance the Organization intends to use for specific purposes. Assigned fund balance consists of the following:

Assigned for Tourism – Portion of fund balance to be to be used for tourism development activities.

Assigned for Megasite and Selectsite – Portion of fund balance related to unspent interest earned on Megasite and Selectsite cash balances that the Organization is to use for Megasites and Selectsites.

Unassigned – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

J. Advanced Payments Received

Advanced payments received consist of cash received in advance for services which occur after the Organization's fiscal year-end. The Organization had unspent State funds as of July 1, 2024 of \$26,757,468 related to Megasite and Selectsite research, tourism, and business marketing. The Organization received an additional \$119,276,478 from the State to be used on Megasite and Selectsite research, tourism, and business marketing during the year ended June 30, 2025. As of June 30, 2025, \$119,896,438 of these funds were unspent. There was an additional \$34,100 of advanced payments received unrelated to the State funding for a total of \$119,930,538 advanced payments received as of June 30, 2025.

K. Advertising and Promotion

The Organization expenses advertising and promotion costs as incurred. Advertising and event promotion expense was \$32,404,714 for the year ended June 30, 2025.

L. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Accordingly, no provision for income taxes has been made. Management believes the Organization continues to satisfy the requirements of a tax-exempt organization as of June 30, 2025. Management has also not identified any unrelated business income requiring the Organization to file a Form 990-T, *Exempt Organization Business Income Tax Return*.

M. Deferred Inflows of Resources

In addition to liabilities, the governmental fund will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and, therefore, will not be recognized as revenue until then. The Organization has one item that meets the criterion for this category – unavailable revenues related to grants.

N. Revenue Concentrations

The Organization receives State contract funding general revenues from the State. This contract represented approximately 96.56% of general revenues and 87.94% of total revenues for the year ended June 30, 2025.

O. Vendor Concentrations

During the year ended June 30, 2025, two vendors accounted for 59.32% of total expenses, and another two vendors representing 22.50% of outstanding accounts payable as of June 30, 2025.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Reconciliation of government-wide and fund financial statements

1. Explanation of adjustments between governmental fund balance sheet and the government-wide statement of net position.

When capital assets, right-to-use lease assets, and intangible assets that are used in governmental activities are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Organization as a whole.

| | |
|---|--------------------|
| Cost of capital assets | \$ 3,777,343 |
| Accumulated depreciation and amortization | <u>(2,985,292)</u> |
| | <u>\$ 792,051</u> |

Lease liabilities and related interest payables are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Liabilities for compensated absences and supplemental retirement will be recognized as liabilities in the governmental funds when the amounts are considered to be expendable available financial resources. However, the statement of net position includes those obligations among the liabilities of the Organization as a whole.

| | |
|-------------------------|-----------------------|
| Lease liability | \$ (689,348) |
| Compensated absences | (257,069) |
| Interest payable | (2,965) |
| Supplemental retirement | <u>(61,583)</u> |
| | <u>\$ (1,010,965)</u> |

Deferred inflows of resources consisting of revenues that do not provide current financial resources are not reported as revenue in the governmental fund. However, the statement of net position includes those resources as revenues of the Organization as a whole. See Note 2M for additional information.

| | |
|---|-------------------|
| State Trade and Export Promotion (STEP) grant | <u>\$ 244,260</u> |
|---|-------------------|

2. Explanation of adjustments between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

Governmental funds report depreciation and amortization expense, capital outlay, lease obligations, supplemental retirement, and compensated absences. However, in the statement of activities, the cost of those assets is allocated over their useful lives or terms of the lease and reported as depreciation/amortization expense. Deferred revenues represent the changes in deferred inflows of resources due to differences in recognizing revenues in the governmental fund and statement of net position.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Reconciliation of government-wide and fund financial statements (continued)

| | |
|-------------------------|---------------------|
| Depreciation expense | \$ (220,526) |
| Amortization expense | (652,419) |
| Capital outlay | 49,187 |
| Lease obligations | 699,802 |
| Supplemental retirement | (31,585) |
| Compensated absences | (9,874) |
| Unavailable revenues | (3,043) |
| | <u>\$ (168,458)</u> |

Note 4—Deposits and restricted cash

As of June 30, 2025, the Organization's carrying amount and bank balance are both \$128,801,389. Of the bank balance, \$250,000 was covered by federal depository insurance at each institution and \$16,120,129 remained uninsured. The Organization has two bank accounts that are fully insured as they meet the definition of a secured investment account or a sweep account. Of the \$128,801,389, \$111,181,261 of cash is included in these accounts. As of June 30, 2025, the Organization had \$117,048,300 of cash that is contractually restricted for the use of Megasites and Selectsites.

Note 5—Capital assets

Capital asset activity for the year ended June 30, 2025 was as follows:

| | Balance July 1, 2024 | Increases | Modifications and Remeasuremen | Decreases | Balance June 30, 2025 |
|---|-------------------------|---------------------|--------------------------------------|-----------------|--------------------------|
| Vehicle right-to-use asset | \$ 324,926 | \$ 59,687 | \$ (31,406) | \$ - | \$ 353,207 |
| Office space right-to-use asset | 2,603,368 | - | - | - | 2,603,368 |
| Other equipment right-to-use asset | 41,018 | - | - | - | 41,018 |
| Furniture | 272,784 | - | - | - | 272,784 |
| Leasehold improvement | 396,098 | - | - | - | 396,098 |
| Hardware | 89,962 | 20,906 | - | - | 110,868 |
| | <u>3,728,156</u> | <u>80,593</u> | <u>(31,406)</u> | <u>-</u> | <u>3,777,343</u> |
| Less: Accumulated Depreciation and Amortization: | | | | | |
| Vehicle right-to-asset | (72,898) | (85,213) | - | 7,061 | (151,050) |
| Office space right-to-use asset | (1,636,145) | (552,699) | - | - | (2,188,844) |
| Other equipment right-to-use asset | (13,047) | (14,507) | - | - | (27,554) |
| Furniture | (232,855) | (39,929) | - | - | (272,784) |
| Leasehold improvement | (136,159) | (148,538) | - | - | (284,697) |
| Hardware | (28,304) | (32,059) | - | - | (60,363) |
| | <u>(2,119,408)</u> | <u>(872,945)</u> | <u>-</u> | <u>7,061</u> | <u>(2,985,292)</u> |
| Total Capital Assets, Net | <u>\$ 1,608,748</u> | <u>\$ (792,352)</u> | <u>\$ (31,406)</u> | <u>\$ 7,061</u> | <u>\$ 792,051</u> |

Depreciation expense totaled \$220,526 and amortization expense totaled \$652,419 for the year ended June 30, 2025.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 6—Compensated absences

Employees earn vacation days based on their employment contract. The vacation policies of the Organization provide for accumulation of vacation leave with such leave being fully vested when earned. No more than 40 hours of accrued but unused leave is allowed to be rolled over to the next calendar year. The amount accrued was \$257,069 as of year ended June 30, 2025. Compensated absences typically have been liquidated in the general fund and are accounted for on a last-in, first-out basis assuming that employees are taking leave time as it is earned.

Note 7—Long-term liabilities

Long-term liabilities consist of compensated absences and lease liabilities.

Changes in long-term liabilities for the year ended June 30, 2025 were as follows:

| | Balance | | | Balance | Amounts Due |
|-----------------------------|---------------------|------------------|-------------------|----------------------|------------------------|
| | July 1, 2024 | Increases | Decreases | June 30, 2025 | Within One Year |
| Lease liability | \$ 1,379,112 | \$ 12,055 | \$ 701,819 | \$ 689,348 | \$ 586,412 |
| Compensated absences | 247,195 | 9,874 | - | 257,069 | 257,069 |
| Total long-term liabilities | <u>\$ 1,626,307</u> | <u>\$ 21,929</u> | <u>\$ 701,819</u> | <u>\$ 946,417</u> | <u>\$ 843,481</u> |

The Organization has entered into noncancelable leases for office facilities, other equipment, and various vehicles. These lease agreements qualify as other than short-term leases and have been recorded at the present value of the future minimum lease payments as of the date of their inception. The office lease and other equipment are not renewable at the end of the lease term. The vehicle leases are renewable for another three-year term; however, the Organization does not intend to exercise this renewal option. The vehicles will not transfer to the Organization at the end of the lease term.

The office facilities agreement was executed on September 30, 2019, to lease office space requiring monthly payments of \$50,965, increasing by 2.5% each year. On March, 1, 2023, the Organization amended the lease to extend the lease one additional year ending on March 1, 2026. There are no variable payment components of this lease. The lease liability is measured at an incremental borrowing rate of 5.0%. As a result of the lease, the Organization has recorded a right-to-use asset with a net book value of \$414,524 as of June 30, 2025.

The lease agreements for the vehicles have various execution dates, requiring monthly lease payments extending into 2028. There are no variable payment components of these leases. The lease liability is measured at an incremental borrowing rate of 5.0% to 8.5%. As a result of the leases, the Organization has recorded a right-to-use asset with a net book value of \$202,157 as of June 30, 2025.

The lease agreements for the other equipment have various execution dates, requiring monthly lease payments extending into 2026. There are no variable payment components of these leases. The lease liability is measured at an incremental borrowing rate of 5.0% to 8.5%. As a result of the leases, the Organization has recorded a right-to-use asset with a net book value of \$13,464 as of June 30, 2025.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 7—Long-term liabilities (continued)

The future minimum lease obligations and the net present value of the operating and finance lease payments as of June 30, 2025 are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Payments</u> |
|------------------------------|-------------------|------------------|-----------------------|
| 2026 | \$ 586,412 | 23,412 | \$ 609,824 |
| 2027 | 93,824 | 4,989 | 98,813 |
| 2028 | 9,112 | 315 | 9,427 |
| Total future payments | <u>\$ 689,348</u> | <u>\$ 28,716</u> | <u>\$ 718,064</u> |

Note 8—Retirement plans

The Organization has a 401(k) retirement plan that is eligible to all regular full-time employees after six months of employment with the Organization. The Organization's discretionary match contribution to participating employees is up to a maximum percentage of employee gross pay. The maximum percentage for the fiscal year ended June 30, 2025 was 5%. All contributions are participant directed. The Organization contributed \$297,680 for the year ended June 30, 2025 to the 401(k) plan.

On February 19, 2018, the Organization established a supplemental executive retirement plan ("SERP") for the Organization's Chief Executive Officer ("CEO"). The benefits provided under this agreement are subject to Section 457(f) of the IRC. SERP is calculated based off of the CEO's base salary and is increased each year that the CEO is employed by the Organization. \$110,712 was paid to the CEO on January 15, 2024, as a result of this contract. On March 21, 2024, the SERP agreement was renewed, with the SERP payable on January 13, 2027, provided the CEO is employed by the Organization. The SERP amount accrued under the plan was \$61,583 at June 30, 2025.

Note 9—Risk management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Through commercial coverage, EDPNC has replacement cost coverage for personal property in the amount of \$345,166, general commercial liability coverage of \$1 million per occurrence, auto liability coverage of \$1 million with physical damage on owned autos paid at actual cash value, directors and owners liability and employment practices liability coverage of \$3 million, foreign liability coverage of \$2 million per occurrence, cyber liability of \$1 million, and workers' compensation coverage up to the statutory limits; and health and dental insurance for EDPNC employees. The Organization carries commercial coverage for all other risks of loss of \$5 million per occurrence. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

Note 10—Subsequent events

The Organization evaluated subsequent events through August 29, 2025, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued, and determined, there were no additional events for disclosure.

The audit report required 198.12 audit hours at a cost of \$38,750.