

NCInnovation, Inc.

Financial Statements and Report Required
by *Government Auditing Standards*
Years Ended June 30, 2025 and 2024

The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



NCInnovation, Inc.

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NCInnovation, Inc.

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Independent Auditor's Report

To the Board of Directors
NCInnovation, Inc.
Research Triangle Park, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NCInnovation, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NCInnovation, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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



Other Reporting Required by *Government Auditing Standards*

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

BDO USA, P.C.

September 26, 2025

Financial Statements

NCInnovation, Inc.

Statement of Financial Position

<u>June 30,</u>	<u>2025</u>	<u>2024</u>
Assets		
Cash	\$ 221,016	\$ 1,210,643
Contributions receivable, net	9,570,418	13,957,264
Prepaid expenses and other assets	106,021	59,180
Investments, State funded endowment	521,783,336	255,706,285
Investments, other	2,529,168	1,974,955
Property and equipment, net	77,121	30,586
Total Assets	\$ 534,287,080	\$ 272,938,913
Liabilities and Net Assets		
Liabilities		
Grants payable	\$ 9,595,467	\$ 2,924,550
Accounts payable and accrued expenses	1,732,388	283,585
Total Liabilities	11,327,855	3,208,135
Net Assets		
Without donor restrictions	1,201,398	67,229
With donor restrictions	521,757,827	269,663,549
Total Net Assets	522,959,225	269,730,778
Total Liabilities and Net Assets	\$ 534,287,080	\$ 272,938,913

See notes to accompanying financial statements.

NCInnovation, Inc.

Statement of Activities

Year ended June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Contributions from private sources	\$ -	\$ 209,821	\$ 209,821
Net assets released from restrictions	20,096,924	(20,096,924)	-
Total Operating Revenues	20,096,924	(19,887,103)	209,821
Operating Expenses			
Program services			
Grants	\$ 11,557,710	\$ -	\$ 11,557,710
Regional hubs and networks	3,153,725	-	3,153,725
Total Program Services	14,711,435	-	14,711,435
Supporting Services			
Management and general	3,326,688	-	3,326,688
Leadership	1,062,738	-	1,062,738
Total Supporting Services	4,389,426	-	4,389,426
Total Operating Expenses	19,100,861	-	19,100,861
Change in Net Assets from Operations	996,063	(19,887,103)	(18,891,040)
Non-operating Revenues and Support			
Contribution from State to fund permanent endowment	-	250,000,000	250,000,000
Net investment income	138,106	21,981,381	22,119,487
Change in Net Assets	1,134,169	252,094,278	253,228,447
Net Assets, beginning of year	\$ 67,229	\$ 269,663,549	\$ 269,730,778
Net Assets, end of year	\$ 1,201,398	\$ 521,757,827	\$ 522,959,225

See notes to accompanying financial statements.

NCInnovation, Inc.

Statement of Activities

Year ended June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Contributions from private sources	\$ -	\$ 3,602,568	\$ 3,602,568
Net assets released from restrictions	3,550,000	(3,550,000)	-
Total Operating Revenues	3,550,000	52,568	3,602,568
Operating Expenses			
Program services			
Grants	\$ 4,011,370	\$ -	\$ 4,011,370
Regional hubs and networks	1,745,216	-	1,745,216
Total Program Services	5,756,586	-	5,756,586
Supporting Services			
Management and general	1,556,228	-	1,556,228
Leadership	837,611	-	837,611
Total Supporting Services	2,393,839	-	2,393,839
Total Operating Expenses	8,150,425	-	8,150,425
Change in Net Assets from Operations	(4,600,425)	52,568	(4,547,857)
Non-operating Revenues and Support			
Contribution from State to fund permanent endowment	-	250,000,000	250,000,000
Net investment income	182,071	5,706,285	5,888,356
Change in Net Assets	(4,418,354)	255,758,853	251,340,499
Net Assets, beginning of year	\$ 4,485,583	\$ 13,904,696	\$ 18,390,279
Net Assets, end of year	\$ 67,229	\$ 269,663,549	\$ 269,730,778

See notes to accompanying financial statements.

NCInnovation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2025	Program Services			Supporting Services			Total
	Grants	Regional Hubs and Networks	Total Program Services	Management and General	Leadership	Supporting Services	
Salaries and benefits	\$ 1,223,412	\$ 2,131,756	\$ 3,355,168	\$ 1,045,176	\$ 1,062,738	\$ 2,107,914	\$ 5,463,082
Grant awards	9,895,927	-	9,895,927	-	-	-	9,895,927
Contract and research services	140,137	139,074	279,211	-	-	-	279,211
Office expense	67,277	67,277	134,554	110,090	-	110,090	244,644
Professional fees	48,415	48,415	96,830	234,324	-	234,324	331,154
Regional Sponsorship	-	119,334	119,334	-	-	-	119,334
University Support	-	356,423	356,423	-	-	-	356,423
Insurance	-	-	-	3,538	-	3,538	3,538
Legal	-	-	-	1,366,132	-	1,366,132	1,366,132
Lobbying expense	-	-	-	420,518	-	420,518	420,518
Marketing and public relations	138,826	138,826	277,652	-	-	-	277,652
Travel Conferences and meetings	15,064	78,108	93,172	24,650	-	24,650	117,822
Computer and technology expense	28,652	68,858	97,510	46,886	-	46,886	144,396
Recruiting and staffing fees	-	-	-	18,790	-	18,790	18,790
Professional development	-	1,740	1,740	28,586	-	28,586	30,326
Other expenses	-	3,914	3,914	10,566	-	10,566	14,480
Depreciation	-	-	-	17,432	-	17,432	17,432
Total Expenses	\$ 11,557,710	\$ 3,153,725	\$ 14,711,435	\$ 3,326,688	\$ 1,062,738	\$ 4,389,426	\$ 19,100,861

See notes to accompanying financial statements.

NCInnovation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2024	Program Services			Supporting Services			Total	
	Grants	Regional Hubs and Networks	Total Program Services	Management and General		Supporting Services		
				Leadership				
Salaries and benefits	\$ 451,896	\$ 1,003,144	\$ 1,455,040	\$ 348,192	\$ 837,611	\$ 1,185,803	\$ 2,640,843	
Grant awards	2,924,550	-	2,924,550	-	-	-	2,924,550	
Contract and research services	409,897	459,573	869,470	-	-	-	869,470	
Office expense	37,368	37,368	74,736	65,791	-	65,791	140,527	
Professional fees	44,748	44,748	89,496	105,367	-	105,367	194,863	
Regional Sponsorship	-	10,000	10,000	-	-	-	10,000	
University Support	-	-	-	-	-	-	-	
Insurance	-	-	-	20,804	-	20,804	20,804	
Legal	-	-	-	381,330	-	381,330	381,330	
Lobbying expense	-	-	-	443,612	-	443,612	443,612	
Marketing and public relations	116,550	116,550	233,100	-	-	-	233,100	
Travel Conferences and meetings	-	47,070	47,070	22,459	-	22,459	69,529	
Computer and technology expense	26,361	26,361	52,722	43,135	-	43,135	95,857	
Recruiting and staffing fees	-	-	-	101,119	-	101,119	101,119	
Professional development	-	-	-	14,111	-	14,111	14,111	
Other expenses	-	402	402	7,508	-	7,508	7,910	
Depreciation	-	-	-	2,800	-	2,800	2,800	
Total Expenses	\$ 4,011,370	\$ 1,745,216	\$ 5,756,586	\$ 1,556,228	\$ 837,611	\$ 2,393,839	\$ 8,150,425	

See notes to accompanying financial statements.

NCInnovation, Inc.

Statement of Cash Flows

<u>Year ended June 30,</u>	<u>2025</u>	<u>2024</u>
Operating Activities		
Change in net assets	\$ 253,228,447	\$ 251,340,499
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	17,432	2,800
Contribution from State to fund permanent endowment	(250,000,000)	(250,000,000)
Unrealized and realized losses (gains) on investments	15,503	(15,503)
Accrued dividend income	(1,807,946)	(1,092,932)
Changes in operating assets and liabilities:		
Contributions receivable	4,386,846	(52,568)
Prepaid expenses and other assets	(46,841)	(59,180)
Accounts payable and accrued expenses	1,448,803	272,975
Grants payable	6,670,917	2,924,550
Net Cash Provided by Operating Activities	13,913,161	3,320,641
Investing Activities		
Proceeds on sale of investments	526,576,069	1,949,981
Purchases of investments	(791,414,890)	(257,795,158)
Purchases of property and equipment	(63,967)	(33,386)
Net Cash Used in Investing Activities	(264,902,788)	(255,878,563)
Financing Activities		
Contribution from State to fund permanent endowment	250,000,000	250,000,000
Net decrease in cash	(989,627)	(2,557,922)
Cash, beginning of year	1,210,643	3,768,565
Cash, end of year	\$ 221,016	\$ 1,210,643

See notes to accompanying financial statements.

NCInnovation, Inc.
Notes to Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Incorporated in 2020, NCInnovation, Inc. (the “Organization”), is a Research Triangle Park, North Carolina based nonprofit public-private partnership with the State of North Carolina (“the State”). In October 2023, the Organization was appropriated \$500.0 million from the State to fund a permanent endowment (“State funded endowment”). The Organization’s purpose is unlocking the innovative potential of North Carolina’s worldclass universities to address market needs and create long-term economic benefits for all regions of the State. The mission of the Organization is supporting researchers with grant funding, mentorship, and partnership development to commercialize research breakthroughs and accelerate the transition from academia to industry.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. The Board may designate net assets without donor restrictions for working capital at its discretion.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Contributions and other assets are recognized as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets with donor restrictions and net assets released from restrictions.

Use of Estimates

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

NCInnovation, Inc.

Notes to Financial Statements

Cash

The Organization's policy is to consider all demand deposits and money market funds as cash. At various times throughout the year, the Organization may have cash balances in financial institutions which exceed the amounts which are federally insured. Management believes that such deposits, if any, pose no significant credit risk.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on contributions are computed using a rate commensurate with the risk of the contributions receivable in accordance with fair value accounting standards. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. The Organization estimates an allowance for uncollectible contributions based on prior collection and write-off history and its knowledge of and dialogue with donors.

Investments

The Organization considers highly liquid temporary cash investments with a maturity of three months or less when purchased to be cash equivalents. Cash investments, however, with a maturity of three months or less that were purchased with the intent to be maintained as an investment are classified as investments. Accrued dividend income is also classified in investments.

Investments are presented in the financial statements at fair value determined in accordance with Topic 820, *Fair Value Measurement*, of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization's investments include various types of investment securities, which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near-term could materially affect amounts reported in the financial statements.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Donated property and equipment are initially recorded at fair value at the date of donation. Depreciation on property and equipment is computed on a straight-line basis over the estimated useful lives of the assets. Depreciation on leasehold improvements, if any, are computed over the shorter of the estimated useful life or the lease term. The cost of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed when incurred.

NCInnovation, Inc.
Notes to Financial Statements

Depreciable lives are as follows:

Equipment, furniture and fixtures	3-15 years
Computer Equipment	3-5 years

Grants Payable

The Organization records grants payable when the Board of Directors approves grant awards. An independent review panel and process evaluates the grant applications by each grant cycle. The selection criteria for the grant programs were carefully designed within innovation best practice standards to ensure rigorous evaluation and prioritization of projects with the highest potential for commercialization. The review panel makes recommendations to management based on their process which is provided in detail to the entire Board of Directors for review, consideration, and approval.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and the applicable North Carolina statute. Therefore, no provision for federal or state income taxes has been made in the financial statements.

Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the FASB ASC.

Contributions Revenue

Contributions, including unconditional promises to give, are recognized in the period received. Contributions of assets other than cash are recorded at estimated fair value.

Contributions of property and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as income within net assets without donor restrictions.

Operating and Non-operating Activities

The statements of activities report the changes in net assets from operating and non-operating activities. Operating activities consist of all activities of the Organization except for certain items specifically considered to be non-operating activities. Non-operating activities include donor-restricted endowment contributions, investment income and other non-recurring items.

Functional Allocation of Expenses

The Organization allocates its expenses to program and supporting services based on management’s estimates of the respective service’s personnel requirements, supplies and materials usage, and space and equipment utilization.

NCInnovation, Inc.

Notes to Financial Statements

2. Contributions Receivable, net

The Organization's contributions receivable consists of the following at:

June 30,	2025	2024
Amounts due:		
In one year or less	\$ 4,316,666	\$ 5,516,667
Between one year and five years	5,966,667	9,363,333
Total contributions receivable	10,283,333	14,880,000
Less unamortized discount	(712,915)	(922,736)
Contributions receivable, net	\$ 9,570,418	\$ 13,957,264

In fiscal year 2025, the Organization received no promises to give. The discount rate for promises to give, received in years prior to fiscal year 2025, ranged from 3.25% to 4.33%. As of June 30, 2025 and 2024, the Organization's management believed all of their contributions receivable were fully collectible and thus did not record an allowance for uncollectible pledges.

As of June 30, 2025 and 2024, contributions receivable from two donors constituted approximately 32% and 29%, respectively, of the Organization's total contributions receivable balance. As of June 30, 2025 and 2024, there were \$1,060,000 of contributions receivable from two members of the Organization's board of directors.

3. Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2:** Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3:** Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NCInnovation, Inc.

Notes to Financial Statements

In determining fair value, the Organization uses valuation approaches within the FASB ASC 820 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy.

Mutual Funds

Investments listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such instruments are classified within Level 1 of the valuation hierarchy.

The following table summarizes the Organization's investments within the fair value hierarchy at June 30, 2025, exclusive of cash and cash equivalents and investments in money market funds and certificates of deposit (which are within Level 1 of the fair value hierarchy):

<i>June 30, 2025</i>	Fair Value Measurements Using			Total
	Level I	Level II	Level III	
Short-term mutual funds	\$ 524,312,504	\$ -	\$ -	\$ 524,312,504
Total	\$ 524,312,504	\$ -	\$ -	\$ 524,312,504

<i>June 30, 2024</i>	Fair Value Measurements Using			Total
	Level I	Level II	Level III	
Short-term mutual funds	\$ 257,681,240	\$ -	\$ -	\$ 257,681,240
Total	\$ 257,681,240	\$ -	\$ -	\$ 257,681,240

The following schedule summarizes the net investment return for the years ended June 30, 2025 and 2024:

<i>Year Ended June 30</i>	<i>2025</i>	<i>2024</i>
Interest and dividends	\$ 22,142,137	\$ 5,884,292
Net (depreciation) appreciation in fair value of investments	(15,503)	15,503
Investment fees	(7,147)	(11,439)
Net investment income	\$ 22,119,487	\$ 5,888,356

NCInnovation, Inc.

Notes to Financial Statements

As of June 30, 2025 and 2024, the Organization's other financial instruments, consist of cash equivalents, accrued expenses, and accounts payable. Each of these financial instruments is accounted for at cost, which approximates fair value due to the relative terms and short maturity of these financial instruments.

4. Grants Payable

The Organization's grants payable are disbursed based upon each respective grantee making progress toward grant objectives as outlined in their grant agreements. Therefore, there is no agreed upon payment schedule for grants when awarded. A summary of the activity related to grants payable for the year ended June 30, 2025 is as follows:

<i>Year ended June 30,</i>	<i>2025</i>	<i>2024</i>
Balance, July 1	\$ 2,924,550	\$ -
Awards	9,895,927	2,924,550
Payments	(3,225,010)	-
Ending balance, June 30	\$ 9,595,467	\$ 2,924,550

5. Property and Equipment

Property and equipment consist of the following at:

<i>June 30,</i>	<i>2025</i>	<i>2024</i>
Equipment, furniture and fixtures	\$ 97,353	\$ 33,386
Less accumulated depreciation	(20,232)	(2,800)
Property and equipment, net	\$ 77,121	\$ 30,586

6. Net Assets

Net assets without donor restrictions consisted of the following at:

<i>June 30,</i>	<i>2025</i>	<i>2024</i>
General operating	\$ 1,201,398	\$ 67,229
Net assets without donor restrictions	\$ 1,201,398	\$ 67,229

NCInnovation, Inc.

Notes to Financial Statements

Net assets with donor restrictions consisted of the following at:

June 30,	2025	2024
Contributions receivable, time restricted	\$ 9,570,418	\$ 13,957,264
State funded endowment, accumulated earnings subject to appropriation	12,187,409	5,706,285
State funded endowment, contributions (corpus)	500,000,000	250,000,000
Net assets with donor restrictions	\$ 521,757,827	\$ 269,663,549

Net assets were released from restrictions by incurring expenses or acquiring assets satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

June 30,	2025	2024
Expiration of time restrictions	\$ 4,596,667	\$ 3,550,000
Program restrictions accomplished	15,500,257	-
Net assets released from restrictions	\$ 20,096,924	\$ 3,550,000

7. Liquidity

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To achieve this, the Organization forecasts its future cash flows and monitors its liquidity on a monthly basis.

The following table summarizes the Organization's financial assets available for general expenditures within one year after:

June 30,	2025	2024
Financial assets		
Cash	\$ 221,016	\$ 1,210,643
Contributions receivable, net	9,570,418	13,957,264
Investments	524,312,504	257,681,240
Total financial assets	\$ 534,103,938	\$ 272,849,147
Less amounts not available to be used for general expenditures within one year		
Pledges due past one year	(5,253,752)	(8,440,597)
State funded endowment*	(521,783,336)	(255,706,285)
Financial assets available to meet general expenditures within one year	\$ 7,066,850	\$ 8,702,265

NCInnovation, Inc.

Notes to Financial Statements

*Of this amount, \$21,783,336 and \$5,706,285 represents accumulated earnings on the endowment at June, 30 2025, and 2024, respectively, which could be appropriated by the Organization's board based on its appropriation policy. See Note 8.

8. Endowment

The Organization was allocated a \$500.0 million endowment from the State as part of Session Law 2023-134 to establish and support a network of regional innovation hubs to facilitate research development in the North Carolina public university system and maximize economic growth in North Carolina. As of June 30, 2025 and 2024, respectively, \$500.0 million and \$250.0 million of the endowment had been received. Each tranche of \$250.0 million from the State was conditional upon certain compliance requirements the Organization achieved prior to receiving the funds and recognizing the related revenue. The corpus balance of the contributions from the State is required by law to be maintained in perpetuity.

Interpretation of relevant law: The Organization follows the provisions of FASB ASC 958-205-50 (formerly FASB Staff Position 117-1, Net Asset Classification of Funds) subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("NCUPMIFA"), and Enhanced Disclosures for all Endowment Funds. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor of the gift instrument.

In accordance with NCUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets to ensure State-restricted endowment funds are distributed in accordance with State legislature. The Organization has a total return spending policy, meaning withdrawals are funded from both income and appreciation of Fund assets. The spending policy is to provide up to 5% of the average prior 12-quarter balances of the endowment funds, as approved by the Board. This smoothing methodology is intended to minimize the impact of short-term market fluctuations. The Investment Committee will recommend an annual spending budget for distributions from the endowment funds and the Board of Directors will approve the spending budget.

NCInnovation, Inc.

Notes to Financial Statements

Changes in endowment net assets for the year ended June 30, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ -	\$ 255,706,285	\$ 255,706,285
Contributions received	-	250,000,000	250,000,000
Dividends and interest	-	21,981,381	21,981,381
Appropriation of endowment expenditures	-	(15,500,257)	(15,500,257)
End of year	\$ -	\$ 512,187,409	\$ 512,187,409

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ -	\$ -	\$ -
Contributions received	-	250,000,000	250,000,000
Dividends and interest	-	5,706,285	5,706,285
Appropriation of endowment expenditures	-	-	-
End of year	\$ -	\$ 255,706,285	\$ 255,706,285

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration.

These deficiencies result from unfavorable market fluctuations. The value of any individual endowment fund deficiency is required to be reported in net assets with donor restrictions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will also be classified as an increase in net assets with donor restrictions. There were no such deficiencies as of June 30, 2025 and 2024.

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to grant programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets and to ensure compliance with State law. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity, according to State law. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner outlined in the investment policy adopted by the Board of Trustees. This investment policy's purpose is to provide guidance to the Investment Managers regarding the Organization's objectives and goals with regard to the endowment investing. Specifically, it outlines the risk tolerance areas of the Organization's as well as defining the limitations in the portfolio of investments. The

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Organization expects its endowment funds, over time, to provide an average rate of return equivalent to or greater than the endowment's financial requirements.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The spending policy is to provide up to 5% of the average prior 12-quarter balances of the endowment funds, as approved by the Board, for the Organization's grant programs. This Organization's spending policy is intended to minimize the impact of short-term market fluctuations. The Investment Committee will recommend an annual spending budget for distributions from the endowment funds and the Board of Directors will approve the spending budget.

In establishing this policy, the Organization considered the long-term expected return on its endowment and the need to maintain the purchasing power of the endowment assets held in perpetuity.

9. Contingencies

Should support and/or funding from the State be curtailed or discontinued, the operations of the Organization would be significantly impacted.

10. Subsequent Events

The Organization has evaluated subsequent events through September 26, 2025 for potential effects on the June 30, 2025 financial statements through the date of the independent auditor's report, which is the date that the financial statements were available to be issued.

Report Required by Government Auditing Standards

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
NCInnovation, Inc.
Research Triangle Park, NC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of NCInnovation, Inc. (the “Organization”), which comprise the Organization’s statement of financial position as of June 30, 2025, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

September 26, 2025