



**North
Carolina
Biotechnology
Center**

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July 29, 2013

TO: The Honorable Phil Berger, President Pro Tempore of the Senate
The Honorable Thom Tillis, Speaker of the House of Representatives
The Honorable Janet Cowell, State Treasurer
Mr. Grayson G. Kelley, Chief Deputy Attorney General
Mr. Mark Trogdon, Fiscal Research Division

FROM: Patricia J. Gravinese, CPA
Controller

SUBJECT: Quarterly Report

In accordance with the *Profit Sharing Agreement Between the State of North Carolina and the North Carolina Biotechnology Center*, enclosed are the required reports for the Biotechnology Center and its subsidiary for the quarter ending June 30, 2013. The unaudited financial statements through June 30 are provided on pages two through four. Venture capital investments, stocks, and equity held by the Biotechnology Center and its subsidiaries are listed in Exhibits A-1 and A-2. The following transactions took place during the quarter relative to investments acquired with State funds:

- Distributions from venture capital investments were received as follows:
 - \$689 from Aurora Ventures V, LLC representing proceeds from the sale of a portfolio company
 - \$191 from Intersouth Partners III representing capital gains from the sale of a portfolio company
- Capital contributions to venture capital investments were made as follows:
 - \$ 600 capital call paid to Intersouth Partners VII, LLC
 - \$ 1,350 capital call paid to Bull City Venture Partners, LLC
 - \$11,628 capital call paid to Aurora Ventures V, LLC

If you have any questions or comments regarding this information, please do not hesitate to call me at (919) 541-9366.

cc: Timothy Dale, Fiscal Research

Enclosures

ASHEVILLE

CHARLOTTE

GREENVILLE

RESEARCH TRIANGLE PARK

WILMINGTON

WINSTON-SALEM

NORTH CAROLINA BIOTECHNOLOGY CENTER
Consolidated Statement of Financial Position
Fiscal Year Ending June 30, 2013

	Unaudited Year Ending 6/30/2013	Audited Year Ending 6/30/2012
ASSETS:		
Cash	\$ 24,812,306	\$ 23,542,936
Investments	519,918	538,945
Receivables:		
Accrued interest receivable (net)	439,822	491,423
Miscellaneous receivables	280,650	343,829
Grants & contributions receivable	520,000	770,000
Notes receivable	8,015,305	8,623,893
Allowance for uncollectible notes receivable	(5,203,496)	(5,621,643)
Total Receivables	4,052,281	4,607,502
Other assets	101,674	136,100
Property, plant and equipment, net	11,734,664	12,429,861
Total Assets	\$ 41,220,843	\$ 41,255,344
LIABILITIES:		
Accounts payable and accrued expenses	\$ 327,911	\$ 445,030
Obligations under capital lease	52,267	71,838
Grants and loans payable	10,416,463	7,623,891
Total Liabilities	10,796,641	8,140,759
NET ASSETS:		
Unrestricted Assets:		
Designated for specific purposes	30,314,638	31,436,822
Undesignated	(885,547)	679,269
Total Unrestricted Net Assets	29,429,091	32,116,091
Temporarily Restricted Assets	995,111	998,494
Total Net Assets	30,424,202	33,114,585
Total Liabilities and Net Assets	\$ 41,220,843	\$ 41,255,344

NORTH CAROLINA BIOTECHNOLOGY CENTER
Consolidated Statement of Activity and Changes in Net Assets
Fiscal Year Ending June 30, 2013

	Unaudited Year Ending 6/30/2013	Audited Year Ending 6/30/2012
UNRESTRICTED REVENUES :		
Grants and contracts:		
State of North Carolina	\$ 17,200,676	\$ 17,551,710
Interest	362,236	315,125
Hamner Conference Center	270,324	211,706
Net realized and unrealized gain on investments	(10,178)	(44,892)
Other	124,228	133,895
Net assets released from restrictions	887,410	994,724
Total unrestricted revenues	18,834,696	19,162,268
EXPENSES AND LOSSES:		
Science and Technology Development	5,414,293	4,094,316
Statewide Development	1,859,798	1,643,326
Business and Technology Development	804,221	416,464
Education and Training	606,456	609,512
Hamner Conference Center	825,548	766,556
Library and Information Services	747,314	722,679
Centers of Innovation	1,531,919	1,680,000
AgBio Initiatives	232,627	210,554
Other programs	976,938	1,078,927
Program management	5,582,377	5,557,712
General and Administrative	2,940,205	2,930,181
Total expenses and losses	21,521,696	19,710,227
Change in unrestricted net assets before net operating transfers	(2,687,000)	(547,959)
TEMPORARILY RESTRICTED REVENUES :		
Grants and Contracts:		
Grants	-	150,000
Contributions	884,027	1,032,177
Net assets released from restrictions	(887,410)	(994,724)
Change in temporarily restricted net assets	(3,383)	187,453
Change in total net assets	(2,690,383)	(360,506)
Net Assets, beginning of period	33,114,585	33,475,091
Net Assets, end of period	\$ 30,424,202	\$ 33,114,585

NORTH CAROLINA BIOTECHNOLOGY CENTER

Consolidated Statement of Cash Flows

Fiscal Year Ending June 30, 2013

	Year Ending 6/30/2013	Year Ending 6/30/2012
Cash flows from operating activities:		
Change in net assets	\$ (2,690,383)	\$ (360,506)
Depreciation	882,154	931,828
Unrealized (gain)/loss on investments	10,178	44,892
Increase (decrease) in cash due to changes in:		
Notes receivable	608,588	(727,758)
Allowance for uncollectible receivables	(418,147)	(174,151)
Accrued interest receivable	51,601	488,442
Grants and pledges receivable	250,000	679,936
Miscellaneous receivables	63,179	28,320
Other assets	34,426	35,877
Accounts payable and accrued expenses	(117,119)	131,045
Grants/notes payable	2,792,572	(108)
Net cash provided (used) by operating activities	1,467,049	1,077,817
Cash flows from investing activities:		
Purchase of property & equipment	(185,990)	(65,949)
Proceeds from sale of investments	39,704	44,251
Purchase of investments	(31,822)	(43,449)
Net cash provided (used) by investing activities	(178,108)	(65,147)
Cash flows from financing activities:		
Proceeds (payment) on note payable		(5,000,000)
Payment on capital lease	(19,571)	(4,004)
Net cash provided (used) from Financing Activities	(19,571)	(5,004,004)
Net increase (decrease) in cash	1,269,370	(3,991,334)
Cash, beginning of period	23,542,936	27,534,270
Cash, end of period	\$ 24,812,306	\$ 23,542,936

NORTH CAROLINA BIOTECHNOLOGY CENTER
FY 2013 VENTURE CAPITAL INVESTMENTS
As of June 30, 2013

<u>INVESTMENT</u>	<u>Start Date</u>	<u>Total Commitment</u>	<u>Paid @ 6/30/2013</u>	<u>Total Distributions</u>
Aurora Enrichment Fund, LLC	06/04	15,000	15,000	4,630
* Aurora Ventures II, LLC	12/96	100,000	100,000	81,481
Aurora Ventures IV, LLC	02/02	100,000	100,000	12,124
* Aurora Ventures V, LLC	08/05	100,000	97,522	9,470
* Harbinger/Aurora Venture Fund, LLC	10/99	500,000	500,000	322,693
* Hatteras Venture Partners I, LP	12/00	18,500	18,500	22,683
Hatteras Venture Partners II, LP	05/04	25,000	21,287	25,531
Hatteras Venture Affiliates III, LP	09/06	25,000	18,598	4,457
Hatteras Venture Partners IV, LLC	06/11	25,000	5,000	0
Inception Micro Angel Fund, LLC	05/03	16,500	16,500	0
Inception Micro Angel Fund - Kannapolis, LLC	06/07	15,000	9,000	0
Inception Micro Angel Fund - West, LLC	03/07	16,500	16,500	127
* Inception Micro Angel Fund - East LLC	04/08	15,000	9,000	0
Inception Micro Angel Fund - Triad 2	09/10	12,500	100	0
Inception Micro Angel Fund - RTP	09/10	12,500	100	0
* Inception Micro Angel Fund - Cape Fear	06/11	12,500	1,000	0
* Intersouth Partners III, LP	06/97	10,000	10,000	21,616
* Intersouth Partners IV, LP	02/98	500,000	500,000	754,928
Intersouth Partners V, LP	03/00	250,000	250,000	147,414
Intersouth Partners V Affiliates Fund, LP	03/00	100,000	100,000	58,149
Intersouth Partners VI, LP	02/03	25,000	23,636	12,925
* Intersouth Partners VII, LP	05/06	40,000	32,000	0
Piedmont Angel Network, LLC	12/31	25,000	24,600	4,950
* Piedmont Angel Network II, LLC	10/05	25,000	21,125	3,355
Piedmont Angel Network III, LLC	12/09	25,000	15,000	0
Research Triangle Ventures, LP	12/00	100,000	100,000	30,059
Southern Capitol Technology I, LLC	08/01	31,250	31,250	21,172
* Southern Capitol Technology II, LP	12/05	40,000	28,400	17,352
* Triangle Angel Partners	07/11	12,500	1,000	0
* Wilmington Investor Network	07/11	4,000	1,000	0
* Bull City Venture Partners	01/13	15,000	1,800	0
* Physicians Fund	02/13	12,500	2,500	0
TOTAL VC INVESTMENTS		2,224,250	2,070,418	1,555,116
* Acquired with State Funds		O/S Commitment	153,832.00	

**NORTH CAROLINA BIOTECHNOLOGY CENTER
OTHER INVESTMENTS
Quarterly Report as of June 30, 2013**

	# Shares	Estimated Price/Share @ 6/30/2013	Cost @ 6/30/2013	FMV @ 6/30/2013	Allowance @ 6/30/2013
* Columbia Life Systems, Inc.	2,388	12.64	40,000.00	30,184	9,816
* EnSolve Biosystems, Inc.	16,000	2.50	40,000.00	40,000	-
* Endacea, Inc. (formerly Link Technology, Inc.)	33,334	0.01	25,000.00	333	24,667
Other Investments Total			105,000	70,518	34,482

* Acquired with State Funds

Note: The value of our stock portfolio is analyzed at year end. The fair market values shown above represent the most recently determined values based on inquiries with company management and support by external evidence, if possible.