

**ECONOMIC DEVELOPMENT PARTNERSHIP
OF NORTH CAROLINA, INC.**

(A Component Unit of the State of North Carolina)

FINANCIAL STATEMENTS AND COMPLIANCE

As of and for the Year Ended June 30, 2021

And Report 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 Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

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

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

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

Opinion

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, 2021, 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.

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, 2021, 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 opinion is not modified with respect to this matter.

Other Matters***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, or on pages 3-11, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis, as required by U.S. Office of Management and Budget Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2021 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Raleigh, North Carolina
August 16, 2021

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

JUNE 30, 2021

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, 2021. 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 \$4,872,913 (net position).
- The Organization increased its total net position \$1,358,629 from prior year.
- Private fundraising revenues for the fiscal year were \$1,183,627.
- As of the close of the fiscal year ("FY"), the Organization's general fund reported an ending fund balance of \$4,981,478. Approximately 51.05% of this total amount, or \$2,543,043, 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 \$982,912 is related to prepaid items that will be recognized in FY 2022. The assigned fund balance in the amount of \$1,455,523 represents amounts to be used for tourism development activities.

Organizational Highlights

The EDPNC continued to navigate the challenges of the COVID-19 pandemic during FY 2021. While some processes and service delivery models were modified and others overhauled altogether, the organization's core mission remained the same – to advance the economic interests of North Carolina's 100 counties and 10 million-plus residents by recruiting new business operations to the state, supporting existing employers, helping companies increase exports, counseling small-business startups and promoting the state as a tourism destination. As was the case in the second half of FY 2020, support of North Carolina businesses and industries often took on new meaning, with an emphasis placed on guiding those heavily impacted by the pandemic on a path to recovery. Despite the ongoing headwinds, each EDPNC division reported strong performance results for the FY.

In FY 2021, the EDPNC, working in tandem with local and state partners including the Governor's office, N.C. Department of Commerce, and local economic development organizations, helped close deals on 164 business recruitment and expansion projects resulting in the announcement of 25,796 new jobs in North Carolina and \$9.275 billion in investment. Among other highlights, this included the announcement of a 3,000-job, \$1 billion Apple campus in Wake County; the location of a new 3,200-job, \$1 billion east coast headquarters for Centene in Charlotte; and an 800-job, \$650 million manufacturing facility for Pratt & Whitney in Asheville. The state ranks each of North Carolina's 100 counties based on economic well-being, with a Tier 1 county the most distressed, Tier 2 in the middle, and Tier 3 the least distressed. 108 of the 164 business recruitment and expansion deals occurred in Tier 1 and 2 counties, and those projects are expected to create 8,906 new jobs and over \$3 billion in investment.

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

JUNE 30, 2021

Organizational Highlights (continued)

EDPNC's existing industry expansions managers, who support businesses already operating in the state, are the local face of the EDPNC, particularly in rural counties. These managers, each assigned to support businesses within their respective multicounty regions, routinely visit businesses to help them identify and overcome barriers to growth. The existing industry managers not only connect companies to workforce development and other resources, they also support often smaller businesses when it's time to launch an expansion. In FY 2021, the team supported 1,336 existing businesses across North Carolina.

Beginning in March of 2020 and continuing throughout the entirety of FY 2021, the existing industry team played an instrumental role in connecting North Carolina employers with needed resources to weather the impacts of the pandemic. Team members proactively reached into communities with information related to essential business status, U.S. Small Business Administration loans like the Economic Injury Disaster Loans and the Paycheck Protection Program ("PPP"), as well as other grant and loan opportunities made available by the NC Rural Center and other partner organizations. EDPNC's operations team assisted the N.C. Department of Commerce with the Job Retention Grant ("JRG") and Mortgage, Utility and Rent Relief ("MURR") programs by utilizing EDPNC's Salesforce.com platform for grant applications and administration, while the existing industry team introduced the programs to companies in their regions as valuable recovery resources.

During FY 2021, EDPNC rebranded Business Link North Carolina to EDPNC Small Business Advisors to reduce marketplace confusion and better integrate the business unit with the rest of the organization. Through its toll-free line, email and web submissions, the team helps 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 25,000 requests for information and support.

Because North Carolina's exports of goods and services support more than 400,000 jobs across the state, the EDPNC is deeply committed to helping businesses expand their overseas markets. In FY 2021, the EDPNC's international trade managers and foreign offices assisted 598 companies with exporting, and those businesses reported over \$1.2 billion in foreign sales connected to EDPNC support. The assistance included providing market intelligence and strategies, product analysis, distributor searches, trade show support (often virtual in FY 2021) and more. As in-person tradeshow activity slowed beginning in the spring of 2020, the trade team increased its export education efforts through webinars and other online learning opportunities for NC businesses. They also assisted businesses in translating websites and other marketing materials into foreign languages for the businesses' target markets.

Government mandated restrictions and a sharp decline in demand for travel, food and accommodations in light of the ongoing pandemic had a deep and immediate impact to the tourism industry. Visitor spending in North Carolina dropped 32 percent in 2020, ending a remarkable 10-year run of spending records set by domestic and international travelers to the state. Consistent with workforce challenges felt around the nation, the tourism-supported workforce in North Carolina decreased 26.4 percent to 178,700 jobs.

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

JUNE 30, 2021

Organizational Highlights (continued)

Our Visit NC team responded in full force with a strategic communications and marketing effort to return North Carolina's vital travel economy to health in a safe and responsible manner, including:

- Expanded research initiatives to gain timely insights informing Visit NC's efforts and those of travel industry partners.
- Conducted the Visit NC Webinar Series to keep partners informed and better equipped to lead recovery within their own communities. Nearly 800 participants also benefited from Visit NC 365, a two-day educational conference hosted by Visit NC.
- Crafted Count On Me NC, a \$10 million bilingual public safety initiative empowering consumers and businesses to help keep everyone safe and protected – a collaboration with the NC Restaurant and Lodging Association, NC Dept. of Health and Human Services and NC State. Third-party research revealed Count On Me NC awareness went from zero to 25% in a matter of months with 75% of NC residents more likely to wear masks and 68% more likely to avoid large gatherings.
- Executed a \$5 million marketing credit program helping 130 partners (92 of 100 counties) amplify safe travel messaging for their destinations within 39 co-op advertising programs. The team also administered \$1.5 million in partner marketing grants.
- With the interest in, and impact on, the outdoors reaching new heights, Visit NC launched Outdoor NC, a partnership with the Leave No Trace Center for Outdoor Ethics to educate visitors and residents on appropriate behavior and care for natural spaces.
- Created #CookItForwardNC, a grassroots effort supporting North Carolina's hospitality industry and unemployed workers. The campaign helped the NC Restaurant and Lodging Association double the participation rate in the NC Restaurant Workers Relief Fund during the campaign.
- With travel restrictions eased and vaccinations rates increasing in Spring 2021, Visit NC returned to more active travel promotion with the launch of a new multi-channel brand campaign, "Get Back to a Better Place."

The EDPNC's successes in FY 2021, and our ability to react quickly to support the needs of North Carolina businesses and communities, 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 Roy Cooper, Secretary of Commerce Machel Sanders and the leadership of the North Carolina General Assembly. We're 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.

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

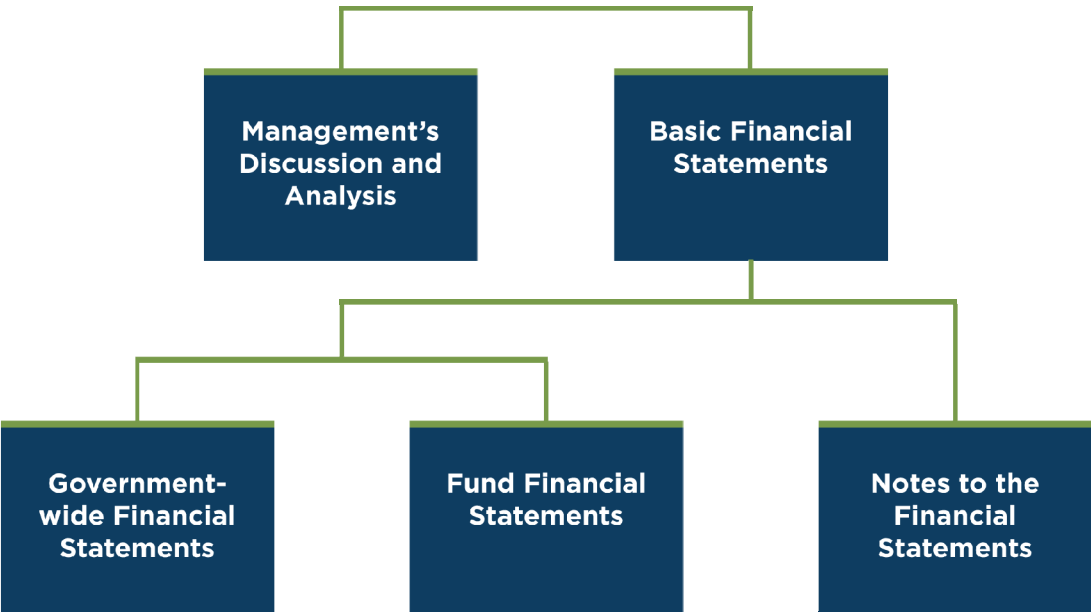
JUNE 30, 2021

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, 2021

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 *Comprehensive Annual Financial Report*.

The statement of net position presents the Organization's information that includes all of the Organization's assets and liabilities 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 capital 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 12-13 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 14 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, 2021

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, 2021	June 30, 2020
Assets:		
Current and other assets	\$ 8,248,910	\$10,116,693
Capital assets, net of accumulated depreciation	348,940	453,510
Total Assets	8,597,850	10,570,203
Liabilities:		
Current liabilities	3,599,290	6,782,871
Long-term liabilities	125,647	273,048
Total Liabilities	3,724,937	7,055,919
Net Position:		
Net investment in capital assets	44,016	590
Unrestricted	4,828,897	3,513,694
Total Net Position	\$ 4,872,913	\$3,514,284

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 \$4,872,913 as of June 30, 2021. The Organization’s net position increased by \$1,358,629 for the period ended June 30, 2021.

The Organization’s current assets decreased by \$1,867,783 and current liabilities decreased by \$3,183,581 from the prior period.

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

JUNE 30, 2021

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

Governmental Activities	June 30, 2021	June 30, 2020
Revenues:		
State contract funding	\$ 18,835,966	\$ 19,068,866
Private funding	1,183,627	824,275
Federal grants	18,430,264	866,273
Paycheck Protection Program loan forgiveness	1,098,600	-
Other revenue	340,544	173,100
Total Revenues	39,889,001	20,932,514
Expenses:		
Advertising and promotion	27,977,077	9,391,199
Personnel	6,843,259	6,421,474
Professional fees	1,785,894	1,994,778
Travel and prospect hospitality	115,302	761,825
Facilities	754,228	721,834
Trade show	537,339	533,393
Computer and internet	292,020	303,074
Other	225,253	199,895
Total Expenses	38,530,372	20,327,472
Change in net position	1,358,629	605,042
Net position, beginning of period	3,514,284	2,909,242
Net position, end of period	\$ 4,872,913	\$ 3,514,284

The Organization's total revenues for the year ended June 30, 2021 increased \$18,956,487 from the period ended June 30, 2020, an increase of 90.56%. The state contract funding represented approximately 47.22% of the total revenues, Coronavirus Relief Funds represented approximately 44.46% of the total revenues, and the private funding represented approximately 2.97% of total revenues in the current year.

The Organization's total expenses increased \$18,202,900 or 89.55% from the prior period.

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.

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

JUNE 30, 2021

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 \$2,543,043.

Capital Assets and Long-Term Liabilities

Capital Assets

The Organization's investment in capital assets as of June 30, 2021, totaled \$348,940 (net of accumulated depreciation of \$221,138). These assets were acquired via capital leases.

Additional information on the Organization's capital assets can be found in Note 3C to the financial statements.

Long-Term Liabilities

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

Governmental Activities	June 30, 2021	June 30, 2020
Capital lease obligations	\$ 304,924	\$ 452,920
Paycheck Protection Program loan	-	1,098,600
Compensated absences	233,104	171,542
Total liabilities	538,028	1,723,062
Current portion	(412,381)	(1,450,014)
Long-term liabilities	\$ 125,647	\$ 273,048

The Organization received full forgiveness of its Paycheck Protection Program loan in the amount of \$1,098,600 from the Small Business Administration in the current year.

Additional information on the Organization's long-term liabilities can be found in Note 3F 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, 2021

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 St 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, 2021

	General Fund	Adjustments (Note 3)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 6,995,510	\$ -	\$ 6,995,510
Accounts receivable	270,488	-	270,488
Prepaid assets and deposits	982,912	-	982,912
Capital assets, net of accumulated depreciation of \$221,138	-	348,940	348,940
Total Assets	8,248,910	348,940	8,597,850
LIABILITIES			
Accounts payable	153,230	-	153,230
Accrued liabilities	149,768	26,068	175,836
Advanced payments received	2,746,763	-	2,746,763
Deferred rent	-	111,080	111,080
Long-Term Liabilities:			
Due within one year	-	412,381	412,381
Due in more than one year	-	125,647	125,647
Total Liabilities	3,049,761	675,176	3,724,937
DEFERRED INFLOW OF RESOURCES	217,671	(217,671)	-
FUND BALANCES			
Nonspendable:			
Prepaid items	982,912	(982,912)	-
Assigned:			
Tourism	1,455,523	(1,455,523)	-
Unassigned	2,543,043	(2,543,043)	-
Total Fund Balances	4,981,478	(4,981,478)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,248,910		
NET POSITION			
Net investment in capital assets		44,016	44,016
Unrestricted		4,828,897	4,828,897
Total Net Position		\$ 4,872,913	\$ 4,872,913

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

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, 2021*

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/Expenses:			
Advertising and event promotion	\$ 27,977,077	\$ -	\$ 27,977,077
Personnel	6,829,231	14,028	6,843,259
Professional fees	1,785,894	-	1,785,894
Travel and prospect hospitality	192,022	(76,720)	115,302
Facilities	848,480	(94,252)	754,228
Trade show	537,339	-	537,339
Computer and internet	292,020	-	292,020
Other	89,699	135,554	225,253
Total Expenditures/Expenses	<u>38,551,762</u>	<u>(21,390)</u>	<u>38,530,372</u>
Program Revenues:			
Federal grants:			
Other federal grants	543,683	150,291	693,974
Coronavirus Relief Funds	17,736,290	-	17,736,290
Other	340,544	-	340,544
Total Program Revenues	<u>18,620,517</u>	<u>150,291</u>	<u>18,770,808</u>
Net Program Expenditures/Expenses	<u>(19,931,245)</u>	<u>171,681</u>	<u>(19,759,564)</u>
General Revenues:			
State contract funding	18,835,966	-	18,835,966
Private funding	1,183,627	-	1,183,627
Paycheck Protection Program loan forgiveness	-	1,098,600	1,098,600
Total General Revenues	<u>20,019,593</u>	<u>1,098,600</u>	<u>21,118,193</u>
Excess of Revenues over Expenditures/Expenses	88,348	1,270,281	1,358,629
Fund Balances/Net Position:			
Beginning of the period	<u>4,893,130</u>	<u>(1,378,846)</u>	<u>3,514,284</u>
End of the period	<u>\$ 4,981,478</u>	<u>\$ (108,565)</u>	<u>\$ 4,872,913</u>

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

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

JUNE 30, 2021

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 *Comprehensive Annual 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 professional fees.

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

JUNE 30, 2021

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 revenues, 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 assets are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as an expense against current operations and accumulated depreciation is 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 measureable and available. Revenues are considered to be available when they are collectible within 31 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 are recognized when received and payment of long-term debt 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, 2021

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, 2021, 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, 2021, prepaid assets and deposits totaled \$982,912.

F. Capital Assets

Capital assets generally result from expenditures in the governmental funds which have an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. Vehicles are assigned a useful life of five years. Computers and equipment are assigned a useful life of three years. Furniture is assigned a useful life of five years. 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.

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 are reported in both the governmental fund financial statements and the government-wide statements and the deferred rent liability and all long-term obligations are reported in only the government-wide statements. As of June 30, 2021, the balance in deferred rent liability is \$111,080.

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 reduced by the outstanding balances of any bonds, mortgages, notes, capital 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, 2021, 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".

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

JUNE 30, 2021

Note 2—Summary of significant accounting policies (concluded)

I. Fund Balances

In the governmental fund financial statement, 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.

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, 2021, 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, 2021, there were none to report.

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

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

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

J. Use of Estimates

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

K. 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 received \$15,500,000 in Coronavirus Relief Funds from the North Carolina Office of State Budget and Management ("NC OSBM") prior to year-end for Visit NC. As of June 30, 2021, \$2,725,810 of these funds were unspent. There was an additional \$20,953 of advanced payments received unrelated to Coronavirus Relief Funding from the State for a total of \$2,746,763 advanced payments received at June 30, 2021.

L. Advertising and Promotion

The Organization expenses advertising and promotion costs as incurred. Advertising and event promotion expense was \$27,977,077 for the year ended June 30, 2021.

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

JUNE 30, 2021

Note 2—Summary of significant accounting policies (continued)

M. 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 that the Organization continues to satisfy the requirements of a tax-exempt organization at June 30, 2021. Management has also not identified any unrelated business income requiring the Organization to file a Form 990-T, *Exempt Organization Business Income Tax Return*.

N. 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 fund balance 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 – grants.

O. Revenue Concentration

The Organization receives State contract funding general revenues from the State. This contract represented approximately 89.19% of general revenues and 47.22% of total revenues for the year ended June 30, 2021. The Organization also received additional Coronavirus Relief Funding from the State in the current year that represented approximately 94.49% of program revenues and 44.46% of total revenues for the year ended June 30, 2021.

Note 3—Detailed notes on the general fund

A. 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 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	\$ 570,078
Accumulated depreciation	(221,138)
	<u>\$ 348,940</u>

Capital lease obligations and straight-line rent are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Liabilities for compensated absences 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.

Capital lease obligations	\$ (304,924)
Compensated absences	(233,104)
Supplemental retirement	(26,068)
Straight-line rent	(111,080)
	<u>\$ (675,176)</u>

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

JUNE 30, 2021

Note 3—Detailed notes on the general fund (continued)

A. Reconciliation of Government-Wide and Fund Financial Statements (continued)

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

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 2N for additional information.

State Trade and Export Promotion ("STEP") grant	\$ 217,671
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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 capital outlay, straight-line rent, compensated absences, and depreciation as expenditures. However, in the statement of activities, the cost of those assets are 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. Loan proceeds from the Paycheck Protection Program ("PPP") loan were presented as Other Financing Sources in the year received, but as the loan was fully forgiven in the current year, the forgiven amount is reported as income in the statement of activities in the current year.

Straight-line rent	\$ (8,008)
Depreciation expense	(104,570)
Interest expense	(30,984)
Capital obligations	178,980
Supplemental retirement	47,534
Compensated absences	(61,562)
Deferred revenues	150,291
Paycheck protection program loan	1,098,600
	<u>\$ 1,270,281</u>

B. Deposits and Investments

At June 30, 2021, the Organization's carrying amount was \$6,995,510 and bank balance was \$6,995,510. Of the bank balance, \$250,000 was covered by federal depository insurance and \$6,745,510 remained uninsured.

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

JUNE 30, 2021

Note 3—Detailed notes on the general fund (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets being depreciated:				
Computers and equipment	\$ 70,622	\$ -	\$ -	\$ 70,622
Furniture	272,784	-	-	272,784
Vehicles	241,722	-	(15,050)	226,672
Total capital assets being depreciated	585,128	-	(15,050)	570,078
Less accumulated depreciation for:				
Computers and equipment	(70,622)	-	-	(70,622)
Furniture	(14,627)	(54,557)	-	(69,184)
Vehicles	(46,369)	(50,013)	15,050	(81,332)
Total accumulated depreciation	(131,618)	\$ (104,570)	\$ 15,050	(221,138)
Total capital assets, net	\$ 453,510			\$ 348,940

Depreciation expense totaled \$104,570 for the year ended June 30, 2021.

D. Lease Obligations

Operating Leases

The Organization has entered into noncancelable leases for office facilities. Total rent expense was approximately \$601,198 for the year ended June 30, 2021.

The future minimum lease payments under the operating leases are as follows for fiscal years ending June 30:

2022	\$ 602,880
2023	617,948
2024	633,380
2025	484,548
Total future minimum lease payments	<u>\$ 2,338,756</u>

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

JUNE 30, 2021

Note 3—Detailed notes on the general fund (continued)

D. Lease Obligations (continued)

Capital Leases

The Organization has entered into capital leases for vehicles, computers, furniture, and office equipment. Accordingly, the Organization has capitalized equipment in the amount of \$570,078 at June 30, 2021, which is included in the property and equipment total. Depreciation expense was \$104,570 and accumulated depreciation was \$221,138 on this furniture and equipment at June 30, 2021.

The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments are as follows for fiscal years ending June 30:

2022	\$	179,277
2023		134,351
2024		7,423
Total future minimum lease payments		321,051
Less amounts representing interest		(16,127)
Present value of future minimum lease payments	\$	304,924

E. 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 64 hours of accrued but unused leave is allowed to be rolled over the next calendar. The amount accrued was \$233,104 for the year ended June 30, 2021. 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.

F. Long-Term Liabilities

Long-term liabilities consist of compensated absences and various capital leases payable in monthly payments ranging from \$290 to \$4,709, maturing in 2020 to 2024, secured by furniture and equipment.

Changes in long-term liabilities for the year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Amounts Due within One Year
Capital lease obligations	\$ 452,920	\$ -	\$ 147,996	\$ 304,924	\$ 179,277
Paycheck protection program loan	1,098,600	-	1,098,600	-	-
Compensated absences	171,542	61,562	-	233,104	233,104
Total long-term liabilities	\$ 1,723,062	\$ 61,562	\$ 1,246,596	\$ 538,028	\$ 412,381

The Organization received full forgiveness of its PPP loan in the amount of \$1,098,600 from the Small Business Administration in the current year.

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

JUNE 30, 2021

Note 3—Detailed notes on the general fund (continued)

G. Retirement Plans

The Organization has a 401(k) retirement plan that is eligible to all regular full-time employees after 6 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, 2021 was 4%. All contributions are participant directed. The Organization contributed \$170,740 for the year ended June 30, 2021 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. The SERP is calculated based off of the CEO's base salary and is increased each year that the CEO is employed by the Organization. \$99,670 was paid to the CEO on January 12, 2021, as a result of this contract. On February 19, 2021, the SERP agreement was renewed, with the SERP payable on January 12, 2024, provided the CEO is employed by the Organization. The SERP amount accrued under the plan was \$26,068 at June 30, 2021.

H. Contingencies and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets globally, including the geographical areas in which the Organization operates. These uncertainties include, but are not limited to, a decrease in private funding and other revenues. Other financial impacts could occur, though such potential impact is unknown at this time.

As noted in Note 2K, the Organization received \$15,500,000 in Coronavirus Relief Funds from the NC OSBM for the purpose of promoting businesses and tourism in the State in order to combat the effects of COVID-19. Additionally, as noted in Note 3F, the Organization's \$1,098,600 PPP loan was forgiven in full on April 26, 2021.

While it is unknown how long these conditions will last and what the complete financial impact will be to the Organization, management is closely monitoring the impact of the COVID-19 pandemic in all aspects of the business and are unable, at this time, to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

I. Subsequent Events

The Organization evaluated subsequent events through August 16, 2021, 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.

COMPLIANCE

**Report of Independent Auditor 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
Economic Development Partnership of North Carolina, Inc.
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated August 16, 2021.

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, 2021, 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.

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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. 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 Organization'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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in dark ink that reads "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
August 16, 2021

Report of Independent Auditor on Compliance for the Major Federal Program and on Internal Control over Compliance Required by OMB Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited the Economic Development Partnership of North Carolina, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
August 16, 2021

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/State Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Expenditures	Pass-Through to Subrecipients
<u>U.S. Small Business Administration</u>				
Passed through N.C. Department of Commerce:				
<i>State Trade and Export Promotion</i>	59.061	SBAHQ-19-IT-0024	\$ 248,807	\$ -
<i>State Trade and Export Promotion</i>	59.061	SBAHQ-20-IT-0046	203,251	-
			<u>452,058</u>	<u>-</u>
<u>U.S. Department of Commerce</u>				
<i>Manufacturing Extension Partnership</i>	11.611	2020-2592-01	242,000	-
			<u>242,000</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
Passed through N.C. Office of State Budget and Management				
<i>Coronavirus Relief Funds:</i>				
<i>CARES Tourism Advertainment and Promotion</i>	21.019	60-00	1,474,040	1,474,040
<i>CARES Tourism Advertainment and Promotion</i>	21.019	44-00	14,949,086	-
<i>CARES Business Marketing Advertisement and Promotion</i>	21.019	80-00-02	986,118	-
<i>CARES Business Marketing Advertisement and Promotion</i>	21.019	118-00	327,046	-
			<u>17,736,290</u>	<u>1,474,040</u>
Total Federal Financial Assistance			<u>\$ 18,430,348</u>	<u>\$ 1,474,040</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal grant activity of the Economic Development Partnership of North Carolina, Inc. (the "Organization") under the programs of the federal government for the year ended June 30, 2021. The information in the SEFA is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

Note 2—Summary of accounting policies

Expenditures reported on this schedule have been prepared on the accrual basis of accounting.

The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance to U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to federal awards

☐ yes ☒ no

Type of auditor’s report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major federal program:

CFDA#

Program Name

21.019

Coronavirus Relief Funds

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.
(A Component Unit of the State of North Carolina)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2021

SECTION II—FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III—FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV—PRIOR YEAR FINDINGS

None reported.

The audit report required 230 audit hours at a cost of \$34,400.