

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

(A Component Unit of the State of North Carolina)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

As of and for the Year Ended June 30, 2020

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

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, 2020, 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 Organization'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 Organization'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, 2020, 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 2, 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, 2020, 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 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, 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* ("Uniform Guidance"), is also presented for the purposes of additional analysis 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 28, 2020 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 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.

Cheryl Bekaert LLP

Raleigh, North Carolina
August 28, 2020

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

JUNE 30, 2020

Financial Highlights

As management of the Economic Development Partnership of North Carolina, Inc. (the "Organization"), we offer the readers of the Organization's financial statements this narrative overview and analysis of the financial activities of the Organization for the year ended June 30, 2020. 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 \$3,514,284 (net position).
- The Organization increased its total net position \$605,042 from prior year.
- Private fundraising revenues for the fiscal year were \$824,275.
- As of the close of the fiscal year ("FY"), the Organization's general fund reported an ending fund balance of \$4,893,130. Approximately 72% of this total amount, or \$3,530,546, 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 \$248,008 is related to prepaid items that will be recognized in FY 2021. The assigned fund balance in the amount of \$1,114,576 represents amounts to be used for tourism development activities.

Organizational Highlights

The Organization experienced a unique and challenging year impacted by the onset of the novel strain of coronavirus ("COVID-19") pandemic. 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. In response to the pandemic, however, the Organization shifted its focus more heavily toward business relief and recovery in the second half of the fiscal year, especially for small businesses and those impacted in the tourism and hospitality industry. Despite the headwinds, each Organization division reported strong performance results for the fiscal year.

In FY 2020, the Organization, 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 150 business recruitment and expansion projects resulting in the announcement of 18,304 new jobs in North Carolina and \$5.63 billion in investment. Many of those wins occurred in typically rural Tier 1 and 2 counties. (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). 98 of the 150 business recruitment and expansion deals occurred in Tier 1 and 2 counties, and those projects are expected to create 6,947 new jobs and over \$2.5 billion in investment.

The Organization's existing industry expansions managers, who support businesses already operating in the state, are the local face of the Organization, 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 2020, the team supported 1,145 existing businesses across North Carolina.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Organizational Highlights (continued)

Beginning in March of 2020, 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. The team also assisted dozens of North Carolina manufacturers pivot to producing personal protective equipment, including the production of face masks and shields, hand sanitizer, and other high demand products.

Also in FY 2020, Business Link North Carolina – our team that takes toll-free calls from entrepreneurs who want to know how to establish a small business in the state – handled 25,824 cases from across the state. In addition to supporting entrepreneurs, the Business Link team also provided information on grants, loans and other resources available to businesses of all sizes struggling from the effects of the pandemic.

Because North Carolina’s exports of goods and services support more than 400,000 jobs across the state, the Organization is deeply committed to helping businesses expand their overseas markets. In FY 2020, the Organization’s international trade managers and foreign offices assisted 574 companies with exporting, and those businesses reported over \$1 billion in foreign sales connected to the Organization support. The assistance included providing market intelligence and strategies, product analysis, distributor searches, trade show support and more. As tradeshow activity slowed 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.

Our diverse tourism-promotion efforts continued to help fuel increases in visitor spending and employment in the state during the first half of the fiscal year. The latest figures available show visitors spent a record \$26.75 billion in calendar year 2019, a 6% increase from the previous year. Tourism-supported jobs reached a record 235,700 in North Carolina in 2019, up 2.4 percent from 2018. Perhaps no industry was hit harder by COVID-19, however, than tourism and hospitality.

Government mandated restrictions and a sharp decline in demand for travel, food, and accommodations had a deep and immediate impact to the industry, prompting significant layoffs and reductions in hours. The Organization’s Visit North Carolina, existing industry and business marketing teams responded quickly by establishing a job portal webpage to connect affected hospitality industry workers with companies who had immediate hiring opportunities. The webpage was visited nearly 21,000 times from late March through the end of the fiscal year on June 30.

The Visit North Carolina team also worked closely with the NC Restaurant and Lodging Association, the NC Department of Health and Human Services, and NC State Extension to develop the *Count on Me NC* program and advertising campaign to encourage safe patronage of tourism and hospitality businesses. Restaurants, hotels, attractions, shops and other businesses participating in the program complete training modules and implement new safety procedures above and beyond the general health and safety guidelines in place. Meanwhile, North Carolinians and those visiting the state are encouraged to wear a mask, maintain social distancing, and follow other best practices.

Other highlights of FY 2020 include the Organization hosting its second “Energizing Rural North Carolina” conference. The October 8-9, 2019 conference brought together 175 local economic developers and civic leaders from across the state to explore trends and best practices in workforce development. Participants explored strategies to assess and market community strengths, attract and retain talent, and develop programs to upskill and reskill existing workforce.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Organizational Highlights (continued)

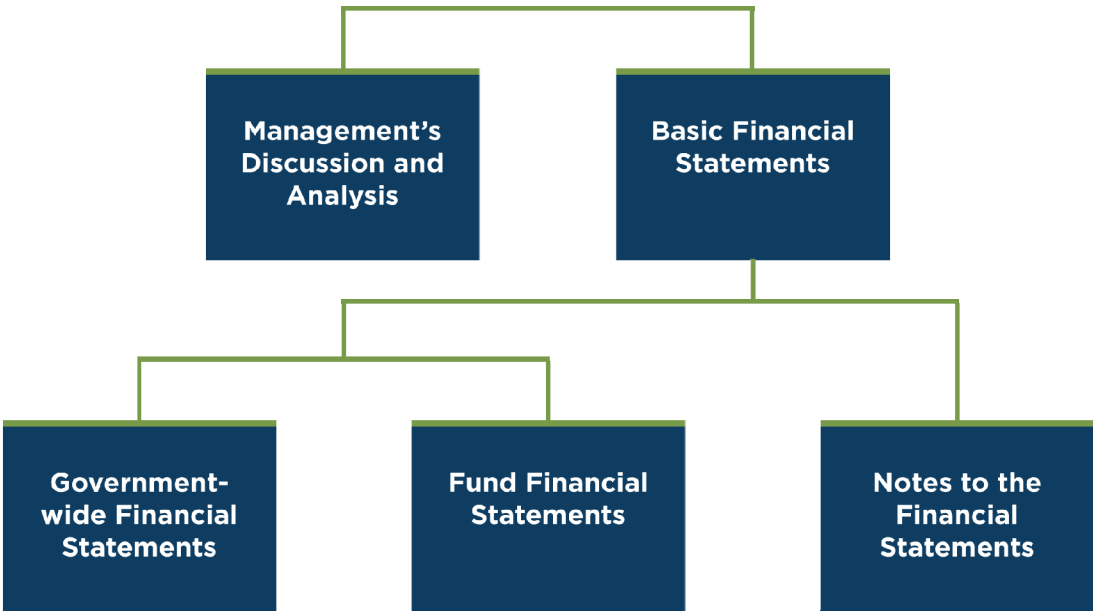
The Organization’s successes in FY 2020 and its ability to react quickly to support the needs of North Carolina businesses, would not have been possible without our public and private partners at the state, regional, and local levels. We are thankful to all the members of the state’s diverse economic development team, including Governor Roy Cooper, Secretary of Commerce Anthony M. Copeland, 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.

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, 2020

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* (or CAFR).

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 11-12 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 13 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, 2020

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, 2020	June 30, 2019
Current and other assets	\$ 10,116,693	\$ 3,447,270
Capital assets, net of accumulated depreciation	453,510	136,671
Total Assets	10,570,203	3,583,941
Current liabilities	6,782,871	596,188
Long-term liabilities	273,048	78,511
Total Liabilities	7,055,919	674,699
Net Position:		
Net investment in capital assets	590	(13,365)
Unrestricted	3,513,694	2,922,607
Total Net Position	\$ 3,514,284	\$ 2,909,242

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 \$3,514,284 as of June 30, 2020. The Organization's net position increased by \$605,042 for the period ended June 30, 2020.

The Organization's current assets increased by \$6,669,423 and current liabilities increased by \$6,186,683 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, 2020

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

Governmental Activities	June 30, 2020	June 30, 2019
Revenue:		
State contract funding	\$ 19,068,866	\$ 20,730,315
Private funding	824,275	1,186,807
Federal grants	866,273	919,667
Other revenue	173,100	202,064
Total Revenue	<u>20,932,514</u>	<u>23,038,853</u>
Expenses:		
Advertising and promotion	9,391,199	12,026,405
Personnel	6,421,474	6,510,640
Professional fees	1,994,778	1,748,995
Travel and prospect hospitality	761,825	1,059,391
Facilities	721,834	367,806
Trade show	533,393	937,815
Computer and internet	303,074	383,813
Other	199,895	218,230
Total Expenses	<u>20,327,472</u>	<u>23,253,095</u>
Change in net position	605,042	(214,242)
Net position, beginning of period	<u>2,909,242</u>	<u>3,123,484</u>
Net position, end of period	<u>\$ 3,514,284</u>	<u>\$ 2,909,242</u>

The Organization's total revenues for the year ended June 30, 2020 decreased \$2,106,339 from the period ended June 30, 2019, a decrease of 9.14%. The state contract funding represented approximately 91% of the total revenues, while the private funding represented approximately 4% of total revenues in the current year.

The Organization's total expenses decreased \$2,925,623 or 12.58% 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, 2020

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 \$3,530,546.

Capital Assets and Long-Term Debt

Capital Assets

The Organization's investment in capital assets as of June 30, 2020, total \$453,510 (net of accumulated depreciation of \$131,618). These assets were acquired via capital leases.

Additional information on the Organization's capital assets can be found in the Notes to the Financial Statements.

Long-Term Liabilities

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

Governmental Activities	June 30, 2020	June 30, 2019
Capital lease obligations	\$ 452,920	\$ 150,036
Paycheck protection program loan	1,098,600	-
Compensated absences	171,542	169,175
Total liabilities	1,723,062	319,211
Current portion	(1,450,014)	(240,700)
Long-term portion	<u>\$ 273,048</u>	<u>\$ 78,511</u>

The Organization received loan proceeds in the amount of \$1,098,600 under the PPP granted by the Small Business Administration in the current year.

Additional information on the Organization's long-term liabilities can be found in the Notes 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, 2020

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, 2020

	General Fund	Adjustments (Note 3)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 9,755,148	\$ -	\$ 9,755,148
Accounts receivable	113,537	-	113,537
Prepaid assets and deposits	248,008	-	248,008
Capital assets, net of accumulated depreciation of \$131,618	-	453,510	453,510
Total Assets	10,116,693	453,510	10,570,203
LIABILITIES			
Accounts payable	57,664	-	57,664
Accrued liabilities	118,088	73,602	191,690
Advanced payments received	4,980,431	-	4,980,431
Deferred rent	-	103,072	103,072
Long-Term Liabilities:			
Due within one year	-	1,450,014	1,450,014
Due in more than one year	-	273,048	273,048
Total Liabilities	5,156,183	1,899,736	7,055,919
DEFERRED INFLOW OF RESOURCES	67,380	(67,380)	-
FUND BALANCES/NET POSITION			
Fund Balances:			
Nonspendable:			
Prepaid items	248,008	(248,008)	-
Assigned:			
Tourism	1,114,576	(1,114,576)	-
Unassigned	3,530,546	(3,530,546)	-
Total Fund Balances	4,893,130	(4,893,130)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,116,693		
Net Position:			
Net investment in capital assets		590	590
Unrestricted		3,513,694	3,513,694
Total Net Position		\$ 3,514,284	\$ 3,514,284

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 REVENUE, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES***YEAR ENDED JUNE 30, 2020*

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/Expenses:			
Advertising and event promotion	\$ 9,391,199	\$ -	\$ 9,391,199
Personnel	6,393,798	27,676	6,421,474
Professional fees	1,994,778	-	1,994,778
Travel and prospect hospitality	852,158	(90,333)	761,825
Facilities	660,594	61,240	721,834
Trade show	533,393	-	533,393
Computer and internet	303,074	-	303,074
Other	91,310	108,585	199,895
Total Expenditures/Expenses	<u>20,220,304</u>	<u>107,168</u>	<u>20,327,472</u>
Program Revenues:			
Federal grants	1,007,596	(141,323)	866,273
Other	173,100	-	173,100
Total Program Revenues	<u>1,180,696</u>	<u>(141,323)</u>	<u>1,039,373</u>
Net Program Expenditures/Expenses	<u>(19,039,608)</u>	<u>(248,491)</u>	<u>(19,288,099)</u>
General Revenues:			
State contract funding	19,068,866	-	19,068,866
Private funding	1,044,273	(219,998)	824,275
Total General Revenues	<u>20,113,139</u>	<u>(219,998)</u>	<u>19,893,141</u>
Excess (Deficiency) of Revenues over Expenditures/Expenses	1,073,531	(468,489)	605,042
Other Financing Sources			
Debt issuances			
Paycheck protection program loan proceeds	1,098,600	(1,098,600)	-
Total Other Financing Sources	<u>1,098,600</u>	<u>(1,098,600)</u>	<u>-</u>
Fund Balance/Net Position:			
Beginning of the period	2,720,999	188,243	2,909,242
End of the period	<u>\$ 4,893,130</u>	<u>\$ (2,477,446)</u>	<u>\$ 3,514,284</u>

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

JUNE 30, 2020

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 eighteen-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* (or CAFR). 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, 2020

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, 2020

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, 2020, 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, 2020, prepaid assets and deposits totaled \$248,008.

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. These assets appear as a reconciling item and are reported in the government-wide statement of net position.

Capital assets are recorded at cost (or estimated historical 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 straight-line rent liability and all long-term obligations are reported in only the government-wide statements. As of June 30, 2020, the balance in straight-line rent liability is \$103,072.

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, 2020, 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, 2020

Note 2—Summary of significant accounting policies (continued)

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, 2020, 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, 2020, 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 \$5,000,000 from the North Carolina Department of Commerce prior to year-end for COVID-19 relief funding for Visit NC. As of June 30, 2020, only \$37,900 of this amount had been spent. There was an additional \$18,331 of advanced payments received unrelated to COVID-19 relief funding from the state for a total of \$4,980,431 advanced payments received at June 30, 2020.

L. Advertising and Promotion

The Organization expenses advertising and promotion costs as incurred. Advertising and event promotion expense was \$9,391,199 for the year ended June 30, 2020.

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

JUNE 30, 2020

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, 2020. 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 two items that meets the criterion for this category – grants and pledges receivable.

O. Revenue Concentration

The Organization receives state contract funding general revenues from the state of North Carolina. This contract represented approximately 91% of general revenues for the year ended June 30, 2020.

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	\$ 585,128
Accumulated depreciation	(131,618)
	<u>\$ 453,510</u>

Capital lease obligations 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 and the paycheck protection program loan proceeds 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	\$ (452,920)
Compensated absences	(171,542)
Supplemental retirement	(73,602)
Paycheck protection program loan	(1,098,600)
Straight-line rent	(103,072)
	<u>\$ (1,899,736)</u>

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

JUNE 30, 2020

Note 3—Detailed notes on the general fund (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.

\$ 67,380

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 and loan proceeds as other financing sources. 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.

Straight-line rent	\$ (93,447)
Depreciation expense	(86,325)
Interest expense	(22,260)
Capital obligations	122,540
Supplemental retirement	(25,309)
Compensated absences	(2,367)
Deferred revenues	(361,321)
Paycheck protection program loan	(1,098,600)
	<u>\$ (1,567,089)</u>

B. Deposits and Investments

At June 30, 2020, the Organization's carrying amount was \$9,755,148 and bank balance was \$9,866,821. Of the bank balance, \$250,000 was covered by federal depository insurance and \$9,616,821 remained uninsured.

C. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Increases	Decreases	Transfers	Balance June 30, 2020
Capital assets being depreciated:					
Computers and equipment	\$ 121,046	\$ -	\$ (50,424)	\$ -	\$ 70,622
Furniture	-	272,784	-	-	272,784
Vehicles	290,824	130,380	(179,482)	-	241,722
Total capital assets being depreciated	411,870	403,164	(229,906)	-	585,128
Less accumulated depreciation for:					
Computers and equipment	(121,046)	-	50,424	-	(70,622)
Furniture	-	(14,627)	-	-	(14,627)
Vehicles	(154,153)	(60,931)	168,715	-	(46,369)
Total accumulated depreciation	(275,199)	\$ (75,558)	\$ 219,139	\$ -	(131,618)
Total capital assets, net	<u>\$ 136,671</u>				<u>\$ 453,510</u>

Depreciation expense totaled \$75,558 for the year ended June 30, 2020.

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

JUNE 30, 2020

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

D. Lease Obligations

Operating Leases

The Organization has entered into noncancelable leases for office facilities. Total rent expense was approximately \$430,713 for the year ended June 30, 2020.

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

2021	\$	588,176
2022		602,880
2023		617,948
2024		633,380
2025		484,548
Total future minimum lease payments	\$	<u>2,926,932</u>

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 \$585,128 at June 30, 2020, which is included in the property and equipment total. Depreciation expense was \$75,558 and accumulated depreciation was \$131,618 on this furniture and equipment at June 30, 2020.

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:

2021	\$	179,872
2022		179,277
2023		134,351
2024		7,423
Total future minimum lease payments		<u>500,923</u>
Less amounts representing interest		<u>(48,003)</u>
Present value of future minimum lease payments	\$	<u>452,920</u>

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 40 hours of accrued but unused leave is allowed to be rolled over the next calendar. The amount accrued was \$171,542 for the year ended June 30, 2020. 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.

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

JUNE 30, 2020

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

F. Long-Term Liabilities

Long-term liabilities consist of compensated absences, Paycheck Protection Program (“PPP”) loan, and various capital leases payable in monthly payments ranging from \$267 to \$4,709, maturing in 2020 to 2024, secured by furniture and equipment.

Changes in long-term liabilities for the year ended June 30, 2020 were as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due within One Year
Capital lease obligations	\$ 150,036	\$ 403,164	\$ 100,280	\$ 452,920	\$ 179,872
Paycheck protection program loan	-	1,098,600	-	1,098,600	1,098,600
Compensated absences	169,175	2,367	-	171,542	171,542
Total long-term liabilities	<u>\$ 319,211</u>	<u>\$ 1,504,131</u>	<u>\$ 100,280</u>	<u>\$ 1,723,062</u>	<u>\$ 1,450,014</u>

The Organization received loan proceeds in the amount of \$1,098,600 under the PPP granted by the Small Business Administration in the current year.

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, 2020 was 4%. All contributions are participant directed. The Organization contributed \$153,001 for the year ended June 30, 2020 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. The SERP is payable on January 12, 2021 provided the CEO is employed by the Organization. The SERP amount accrued under the plan was \$73,602 at June 30, 2020.

H. Subsequent Events

The Organization evaluated subsequent events through August 28, 2020, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. No subsequent events have been identified by management, other than those noted below:

- a) As a result of the spread of COVID-19 in early 2020, economic uncertainties have arisen, which are likely to negatively impact operating results of the Organization through the next fiscal year. 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.

SUPPLEMENTARY INFORMATION

**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, 2020, 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 28, 2020.

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, 2020, 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") to determine the 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.

Cheryl Bekaert LLP

Raleigh, North Carolina
August 28, 2020

Report of Independent Auditor on Compliance for Each 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 Each 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 programs for the year ended June 30, 2020. The Organization's major federal programs are 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 each of the Organization's major federal programs 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2020.

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 each 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.

Chemy Bekaert LLP

Raleigh, North Carolina
August 28, 2020

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, 2020

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>				
<i>State Trade and Export Promotion</i>	59.061	SBAHQ-18-IT-0024	\$ 307,187	\$ -
<i>State Trade and Export Promotion</i>	59.061	SBAHQ-19-IT-0024	381,522	-
			<u>688,709</u>	<u>-</u>
<u>U.S. Department of Commerce</u>				
<i>Manufacturing Extension Partnership</i>	11.611	2015-0820-01	242,000	-
			<u>242,000</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 930,709</u>	<u>\$ -</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. under the programs of the federal government for the year ended June 30, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule 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, 2020

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 programs:

- 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 programs:

CFDA#

Program Name

59.061

State Trade and Export Promotion Program

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, 2020

SECTION II—FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III—FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

The audit report required 215 audit hours at a cost of \$33,500.