

**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, 2023***

***And Reports of Independent Auditor***

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

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## Report of Independent Auditor

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the general fund of the Economic Development Partnership of North Carolina, Inc. (the "Organization"), a component unit of the state of North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Organization as of June 30, 2023, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statements including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Emphasis of Matter***

As discussed in Note 2A, the financial statements of the Organization are intended to present the financial position and changes in financial position that are only attributable to the transactions of the Organization. They do not purport to, and do not, present fairly the financial position of the state of North Carolina as of June 30, 2023, 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.

### ***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, to 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 an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 23, 2023, on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Raleigh, North Carolina  
August 23, 2023

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

**(A Component Unit of the State of North Carolina)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2023**

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## **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, 2023. 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 \$6,958,336 (net position).
- The Organization increased its total net position \$ 1,242,780 from prior year.
- Private fundraising revenues for the fiscal year were \$ 1,210,707.
- As of the close of the fiscal year, the Organization’s general fund reported an ending fund balance of \$6,767,399. Approximately 60.41% of this total amount, or \$4,088,100, 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 \$456,134 is related to prepaid items that will be recognized in fiscal year 2024. The assigned fund balance in the amount of \$2,223,165 represents amounts to be used for tourism development activities.

## **Organizational Highlights**

Economic development efforts in North Carolina found continued success in fiscal year 2023 across all EDPNC’s primary functions, and the national media took notice. North Carolina was named CNBC’s Top State for Business and “State of the Year” by Business Facilities magazine, and EDPNC was awarded Area Development’s inaugural “Platinum Shovel” award for going above and beyond the gold standard in job creation and investment. EDPNC remained focused on its core mission – to improve the economic well-being and quality of life for all North Carolinians – by recruiting new business operations to the state, supporting existing employers, helping companies increase international sales, counseling small-business startups and promoting the state as a tourism destination.

In fiscal year 2023, 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 131 business recruitment and expansion projects resulting in the announcement of 13,887 new jobs in North Carolina and \$9.67 billion in investment. Among other highlights, this included the announcement of the largest capital investment in North Carolina history, an 1,801-job, \$5 billion semiconductor project by Wolfspeed in Chatham County; major life science expansions by Eli Lilly (\$450 million) in Durham County and Novo Nordisk (\$500 million) in Johnston County; a 506-job, \$220 million manufacturing facility for Siemens Mobility in Davidson County; and a 440-job, \$85 million food processing facility for SOPAKCO in Scotland County. 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. 90 of the 131 business recruitment and expansion deals occurred in Tier 1 and 2 counties, and those projects are expected to create 6,906 new jobs and over \$2.54 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, 2023

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## Organizational Highlights (continued)

Launched at the beginning of fiscal year 2022, EDPNC's marketing team moved into the second phases of its *All in North Carolina* and *Leader 2 Leader* advertising and PR campaigns focused on increasing awareness and choice of North Carolina as the best place for businesses – and workforce talent – to locate and thrive. The campaigns have generated a robust pipeline of business recruitment opportunities, including some companies that have since chosen to locate in North Carolina.

EDPNC's existing industry expansions managers, who operate in multicounty regions throughout the state, help NC companies identify barriers to growth and serve as resource matchmakers to help companies address those barriers. The existing industry managers not only connect companies to workforce development and other resources, but they also support often smaller businesses when it's time to launch an expansion. In fiscal year 2023, the team supported 1,012 existing businesses across North Carolina, including 850 companies in Tier 1 and Tier 2 counties.

EDPNC offers another specialized service to North Carolina companies: assisting them to enter foreign markets and expand their international sales. In fiscal year 2023, the EDPNC's international trade managers and foreign offices provided export assistance to 570 companies, including 166 minority- and/or women-owned companies. The assistance included providing market intelligence and strategies, product analysis, distributor searches, localization of websites and marketing materials, and support at trade shows and trade missions.

Through its toll-free line, email and web submissions, EDPNC's Small Business Advisors help entrepreneurs understand the licenses, permits and other requirements for establishing a business in the state. They also support small businesses by providing information on grants, loans and other resources. Over the course of the year, the team responded to over 14,600 requests for information and support – including over 6,000 from women-, minority-and/or veteran-owned businesses and entrepreneurs – with a 98% customer satisfaction rating.

Tourism in North Carolina continued its strong rebound from pandemic-driven lows, so much so that visitor spending increased to \$33.3 billion in 2022, a new record that well outpaced the previous record of \$28.9 billion set in 2021. 2022's performance reflected a 15% increase over the prior year and a 66% increase over pandemic lows experienced in 2020. The tourism- supported workforce in North Carolina increased 10 percent from 2021 to 216,900 jobs, though industry related jobs still lag the 2019 record of 242,600.

Our Visit NC team leveraged the state's brand promise of "Richer Experiences" through advertising, public relations, digital messaging, and more to help achieve these numbers. This strategy has proven successful in helping North Carolina compete against its peer competitive states, including many who continue to invest more aggressively in tourism marketing.

The North Carolina Film Office, part of the Visit NC and EDPNC team, oversaw \$258 million in spending by film and TV productions in 2022. This represents the second-highest total spend on productions since the creation of the current film program.

The EDPNC's successes in fiscal year 2023 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 Machelle 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, 2023

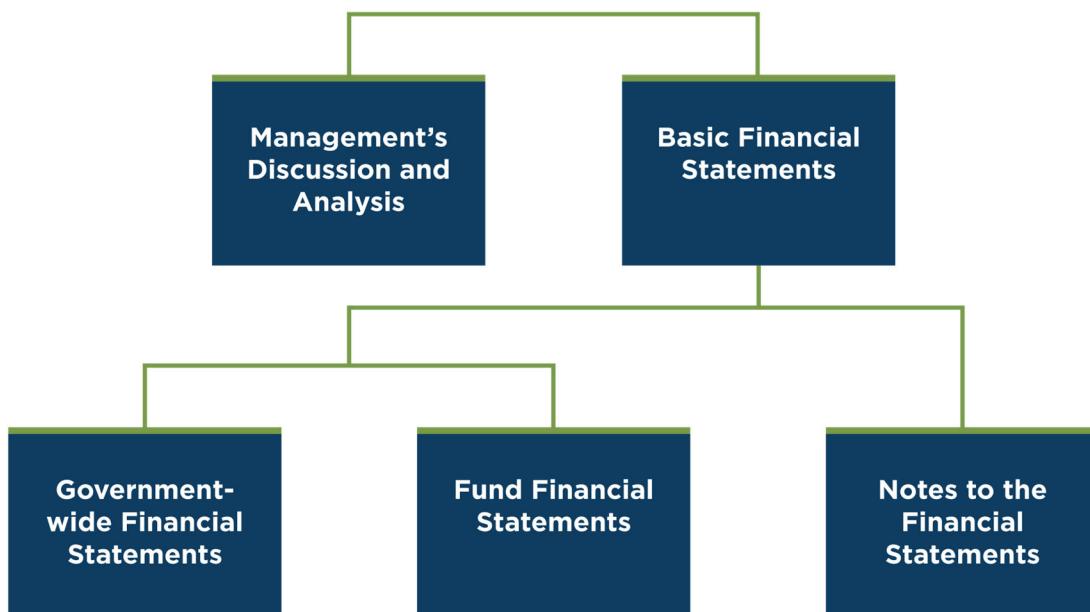
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## Overview of the Financial Statements

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, 2023**

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## **Government-Wide Financial Statements**

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

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

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

## **Fund Financial Statements**

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

Governmental funds account for essentially the same functions reported within the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in governmental funds, as compared to being capitalized in the government-wide financial statements. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources. As noted above, the fund financials and the government-wide financials are combined on each of the basic financial statements for the Organization with a reconciling adjusting column. These combined statements can be found on pages 12 and 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, 2023**

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**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)**

<b>Governmental Activities</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Assets:		
Current and other assets	\$ 22,974,161	\$ 6,542,379
Capital assets:		
Other capital assets, net of accumulated depreciation	475,417	149,043
Right to use assets, net of accumulated amortization	1,615,705	1,554,799
Total Assets	<u>25,065,283</u>	<u>8,246,221</u>
Liabilities:		
Current liabilities	16,947,324	1,455,363
Long-term liabilities	1,159,623	1,075,302
Total Liabilities	<u>18,106,947</u>	<u>2,530,665</u>
Net Position:		
Net investment in capital assets	339,482	149,043
Unrestricted	6,618,854	5,566,513
<b>Total Net Position</b>	<b>\$ 6,958,336</b>	<b>\$ 5,715,556</b>

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 \$6,958,336 as of June 30, 2023. The Organization's net position increased by \$1,242,780 for the period ended June 30, 2023.

The Organization's current assets increased by \$16,431,782 and current liabilities increased by \$15,491,961 from the prior period primarily due to the increase in cash and advanced payments received. Increase relates to the additional state contract funding received in the current fiscal year, with the unspent funding being held in cash accounts at year end and in advanced payments received.

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

JUNE 30, 2023

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

<b>Governmental Activities</b>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Revenues:		
State contract funding	\$ 48,995,372	\$ 19,960,926
Private funding	1,210,707	1,252,461
Federal grants	1,119,689	3,892,211
Other revenue	<u>963,321</u>	<u>846,041</u>
Total Revenues	<u>52,289,089</u>	<u>25,951,639</u>
Expenses:		
Advertising and promotion	37,161,476	12,767,309
Personnel	7,876,502	7,193,497
Professional fees	1,919,410	1,792,646
Travel and prospect hospitality	885,568	476,645
Facilities	742,814	776,981
Trade show	1,736,167	1,294,427
Computer and internet	580,634	416,461
Other	<u>143,738</u>	<u>391,030</u>
Total Expenses	<u>51,046,309</u>	<u>25,108,996</u>
Change in net position	1,242,780	842,643
Net position, beginning of period	<u>5,715,556</u>	<u>4,872,913</u>
Net position, end of period	<u>\$ 6,958,336</u>	<u>\$ 5,715,556</u>

The Organization's total revenues for the year ended June 30, 2023 increased \$26,337,450 from the period ended June 30, 2022, a increase of 101.49%. The state contract funding represented approximately 93.70% of the total revenues, private funding represented approximately 2.32% of the total revenues, and the federal grants funding represented approximately 2.14% of total revenues in the current year.

The Organization's total expenses increased \$25,937,313 or 103.30% from the prior period due to the additional state contract funding received in the current fiscal year.

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

**JUNE 30, 2023**

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**Governmental Activities**

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

**Financial Analysis of the Organization's Funds**

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

**Governmental Fund**

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

The general fund is the only operating fund of the Organization. At the end of the current period, unassigned fund balance of the general fund was \$4,088,100.

**Capital Assets and Long-Term Liabilities**

**Capital Assets**

The Organization's investment in capital assets as of June 30, 2023, totaled \$2,091,122 (net of accumulated depreciation and amortization of \$1,339,222).

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

**Long-Term Liabilities**

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

<b>Governmental Activities</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Lease liabilities	\$ 1,751,640	\$ 1,689,963
Compensated absences	201,903	199,131
<b>Total long-term liabilities</b>	<b>1,953,543</b>	<b>1,889,094</b>
Current portion	(793,920)	(813,792)
<b>Long-term portion</b>	<b>\$ 1,159,623</b>	<b>\$ 1,075,302</b>

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

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

**(A Component Unit of the State of North Carolina)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2023**

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## **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](http://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, 2023

	<b>General Fund</b>	<b>Adjustments (Note 3)</b>	<b>Statement of Net Position</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 22,250,255	\$ -	\$ 22,250,255
Accounts receivable	267,772	-	267,772
Prepaid assets and deposits	456,134	-	456,134
Capital assets:			
Right to use asset, net of accumulated amortization of \$1,160,924	-	1,615,705	1,615,705
Other capital assets, net of accumulated depreciation of \$178,298	-	475,417	475,417
<b>Total Assets</b>	<b>22,974,161</b>	<b>2,091,122</b>	<b>25,065,283</b>
<b>LIABILITIES</b>			
Accounts payable	2,136,307	7,019	2,143,326
Accrued liabilities	187,512	80,712	268,224
Advanced payments received	13,741,854	-	13,741,854
Long-term liabilities:			
Lease liabilities, due within one year	-	592,017	592,017
Lease liabilities, due in more than one year	-	1,159,623	1,159,623
Compensated absences, due within one year	-	201,903	201,903
<b>Total Liabilities</b>	<b>16,065,673</b>	<b>2,041,274</b>	<b>18,106,947</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>141,089</b>	<b>(141,089)</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	456,134	(456,134)	-
Assigned:			
Tourism	2,223,165	(2,223,165)	-
Unassigned	4,088,100	(4,088,100)	-
<b>Total Fund Balances</b>	<b>6,767,399</b>	<b>(6,767,399)</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 22,974,161</b>		
<b>NET POSITION</b>			
Net investment in capital assets	339,482	339,482	
Unrestricted	6,618,854	6,618,854	
<b>Total Net Position</b>	<b>\$ 6,958,336</b>	<b>\$ 6,958,336</b>	

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

# ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.

(A Component Unit of the State of North Carolina)

GOVERNMENTAL FUND REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	General Fund	Adjustments (Note 3)	Statement of Activities
<b>Expenditures/Expenses:</b>			
Advertising and event promotion	\$ 37,161,476	\$ -	\$ 37,161,476
Personnel	7,845,935	30,567	7,876,502
Professional fees	1,919,410	-	1,919,410
Travel and prospect hospitality	948,209	(62,641)	885,568
Facilities	280,673	462,141	742,814
Trade show	1,736,167	-	1,736,167
Computer and internet	580,634	-	580,634
<b>Debt service:</b>			
Principal	610,861	(610,861)	-
Interest and other charges	78,142	(78,142)	-
Capital outlay	1,052,697	(1,052,697)	-
Other	(201,069)	344,807	143,738
<b>Total Expenditures/Expenses</b>	<b>52,013,135</b>	<b>(966,826)</b>	<b>51,046,309</b>
<b>Program Revenues:</b>			
Federal operating grants:			
Other federal grants	1,267,210	(147,521)	1,119,689
Charges for services and other revenue	963,321	-	963,321
<b>Total Program Revenues</b>	<b>2,230,531</b>	<b>(147,521)</b>	<b>2,083,010</b>
<b>Net Program Expenditures/Expenses</b>	<b>(49,782,604)</b>	<b>819,305</b>	<b>(48,963,299)</b>
<b>General Revenues:</b>			
State contract funding	48,995,372	-	48,995,372
Private funding	1,210,707	-	1,210,707
<b>Total General Revenues</b>	<b>50,206,079</b>	<b>-</b>	<b>50,206,079</b>
Excess of Revenues over Expenditures/Expenses	423,475	819,305	1,242,780
<b>Other Financing Sources:</b>			
Debt issuances			
Lease liabilities issued	671,767	(671,767)	-
<b>Total Other Financing Sources</b>	<b>671,767</b>	<b>(671,767)</b>	<b>-</b>
Net change in fund balance	1,095,242	147,538	1,242,780
<b>Fund Balances/Net Position:</b>			
Beginning of period	5,672,157	43,399	5,715,556
<b>End of period</b>	<b>\$ 6,767,399</b>	<b>\$ 190,937</b>	<b>\$ 6,958,336</b>

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

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

**(A Component Unit of the State of North Carolina)**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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## **Note 1—The Organization**

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

## **Note 2—Summary of significant accounting policies**

### **A. Reporting Entity**

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

### **B. Basis of Presentation**

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

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

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

*Governmental Funds* – Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund is the Organization’s operating fund. It accounts for all financial resources of the Organization. The primary revenue sources are State contract funding, grants, and private funding. The primary expenditures are advertising and promotion costs, personnel costs, and 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, 2023**

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### **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 position is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation and amortization is charged as an expense against current operations and accumulated depreciation and accumulated amortization are reported on the statement of net position.

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

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

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

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

# ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.

(A Component Unit of the State of North Carolina)

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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## 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, 2023, 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, 2023, prepaid assets and deposits totaled \$456,134.

### 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. Furniture is assigned a useful life of five years. The right to use assets are amortized on a straight-line basis over the life of the related lease. These assets appear as a reconciling item and are reported in the government-wide statement of net position.

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

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 all long-term obligations are reported in only the government-wide statements.

### H. Net Position

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

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

*Restricted Net Position* – Consists of net position constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. As of June 30, 2023, 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, 2023

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## 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, 2023, 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, 2023, 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 \$42,500,000 from the State to be used on Megasite research, tourism, and business marketing. As of June 30, 2023, \$13,715,554 of these funds were unspent. There was an additional \$26,300 of advanced payments received unrelated to the State funding for a total of \$13,741,854 advanced payments received as of June 30, 2023.

### L. Advertising and Promotion

The Organization expenses advertising and promotion costs as incurred. Advertising and event promotion expense was \$37,161,476 for the year ended June 30, 2023.

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

**(A Component Unit of the State of North Carolina)**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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## **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 the Organization continues to satisfy the requirements of a tax-exempt organization as of June 30, 2023. 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 – unavailable revenues related to grants.

### **O. Revenue Concentration**

The Organization receives State contract funding general revenues from the State. This contract represented approximately 97.59% of general revenues and 93.70% of total revenues for the year ended June 30, 2023.

### **P. Subscription Based Information Technology Arrangements**

As of July 1, 2022, the Organization adopted the provisions of Government Accounting Standards Board (“GASB”) 96, *Subscription Based Information Technology Arrangements* (“SBITA”). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Following the adoption of the standard, the Organization determined there were no material arrangements that would be considered subject to the standard, and therefore, no arrangements have been recorded.

### **Q. Vendor Concentrations**

During the year ended June 30, 2023, two vendors accounted for 68.03% of total expenses, with one of those vendors representing 69.57% of outstanding accounts payable at June 30, 2023.

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

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

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

Cost of capital assets	\$ 3,430,343
Accumulated depreciation and amortization	<u>(1,339,221)</u>
	<u>\$ 2,091,122</u>

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

# ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA, INC.

(A Component Unit of the State of North Carolina)

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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

Lease liability	\$ (1,751,640)
Compensated absences	(201,903)
Interest payable	(7,019)
Supplemental retirement	<u>(80,712)</u>
	<u>\$ (2,041,274)</u>

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

State Trade and Export Promotion (STEP) grant	\$ <u>141,089</u>
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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, compensated absences, amortization and depreciation as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives or terms of the lease and reported as depreciation/amortization expense. Deferred revenues represent the changes in deferred inflows of resources due to differences in recognizing revenues in the governmental fund and statement of net position.

Depreciation expense	\$ (54,557)
Amortization expense	(610,861)
Capital outlay	1,052,697
Capital obligations	(61,653)
Supplemental retirement	(27,795)
Compensated absences	(2,772)
Unavailable revenues	<u>(147,521)</u>
	<u>\$ 147,538</u>

### Note 4—Deposits

At June 30, 2023, the Organization's carrying amount and bank balance was \$22,250,255. Of the bank balance, \$250,000 was covered by federal depository insurance at each institution and \$21,250,255 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, 2023**

**Note 5—Capital assets**

Capital asset activity for the year ended June 30, 2023 was as follows:

<b>Capital Assets</b>	<b>Balance July 1, 2022</b>	<b>Increases</b>	<b>Modifications and Remeasurements</b>	<b>Decreases</b>	<b>Balance June 30, 2023</b>
Vehicle right to use asset	\$ 137,435	\$ 91,628	\$ -	\$ 55,802	\$ 173,261
Copy machine right to use asset	17,165	-	-	17,165	-
Office space right to use asset	2,023,228	-	580,140	-	2,603,368
Furniture	272,784	-	-	-	272,784
Construction-in-process	-	380,931	-	-	380,931
	2,450,612	472,559	580,140	72,967	3,430,344
<b>Less: Accumulated Depreciation and Amortization</b>					
Vehicle right to use asset	(73,693)	(59,586)	-	55,800	(77,479)
Copy machine right to use asset	(9,809)	(7,357)	-	17,166	-
Office space right to use asset	(539,527)	(543,918)	-	-	(1,083,445)
Furniture	(123,741)	(54,557)	-	-	(178,298)
	(746,770)	(665,418)	-	72,966	(1,339,222)
<b>Total Capital Assets, Net</b>	<b>\$ 1,703,842</b>	<b>\$ (192,859)</b>	<b>\$ 580,140</b>	<b>\$ 145,933</b>	<b>\$ 2,091,122</b>

Depreciation expense totaled \$54,557 and amortization expense totaled \$610,861 for the year ended June 30, 2023.

**Note 6—Compensated absences**

Employees earn vacation days based on their employment contract. The vacation policies of the Organization provide for accumulation of vacation leave with such leave being fully vested when earned. No more than 40 hours of accrued but unused leave is allowed to be rolled over the next calendar. The amount accrued was \$201,903 as of year ended June 30, 2023. Compensated absences typically have been liquidated in the general fund and are accounted for on a last-in, first-out basis assuming that employees are taking leave time as it is earned.

**Note 7—Long-term liabilities**

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

Changes in long-term liabilities for the year ended June 30, 2023 were as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts Due</b>
	<b>July 1, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2023</b>	<b>Within One Year</b>
Lease liability	\$ 1,689,963	\$ 671,260	\$ 609,583	\$ 1,751,640	\$ 592,017
Compensated absences	199,131	2,772	-	201,903	201,903
<b>Total long-term liabilities</b>	<b>\$ 1,889,094</b>	<b>\$ 674,032</b>	<b>\$ 609,583</b>	<b>\$ 1,953,543</b>	<b>\$ 793,920</b>

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

## **(A Component Unit of the State of North Carolina)**

### **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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#### **Note 7—Long-term liabilities (continued)**

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

The office facilities agreement was executed on September 30, 2019, to lease office space requiring monthly payments of \$48,509, increasing by 2.5% each year. On March, 1, 2023, the Organization amended the lease to extend the lease one additional year ending on March 1, 2026. There are no variable payment components of this lease. The lease liability is measured at an incremental borrowing rate of 5.0%. As a result of the lease, the Organization has recorded a right to use asset with a net book value of \$1,519,923 at June 30, 2023.

The lease agreements for the vehicles have various execution dates, requiring monthly lease payments extending into 2027. There are no variable payment components of these leases. The lease liability is measured at an incremental borrowing rate of 5%. As a result of the leases, the Organization has recorded a right to use asset with a net book value of \$95,782 at June 30, 2023.

The future minimum lease obligations and the net present value of the operating and finance lease payments as of June 30, 2023 are as follows:

<b><u>Years Ending June 30,</u></b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payments</b>
2024	\$ 592,017	\$ 74,082	\$ 666,099
2025	630,718	43,755	674,473
2026	507,325	11,856	519,181
2027	21,580	521	22,101
Total future payments	\$ 1,751,640	\$ 130,214	\$ 1,881,854

#### **Note 8—Retirement plans**

The Organization has a 401(k) retirement plan that is eligible to all regular full-time employees after six months of employment with the Organization. The Organization's discretionary match contribution to participating employees is up to a maximum percentage of employee gross EDPpay. The maximum percentage for the fiscal year ended June 30, 2023 was 5%. All contributions are participant directed. The Organization contributed \$245,645 for the year ended June 30, 2023 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 \$80,712 at June 30, 2023.

#### **Note 9—Subsequent events**

The Organization evaluated subsequent events through August 23, 2023, 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, 2023, 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 23, 2023.

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, 2023, 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.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cherry Bekaert LLP*

Raleigh, North Carolina

August 23, 2023

## **Report of Independent Auditor on Compliance for the Major Federal Program and on Internal Control over Compliance in Accordance with the *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**

#### ***Opinion on 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 identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. 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.

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, 2023.

#### ***Basis for Opinion on the Major Federal Program***

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* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 23, 2023

**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, 2023**

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>
<b>FEDERAL GRANTS:</b>			
<b>U.S. Small Business Administration</b>			
Passed through N.C. Department of Commerce:			
<i>State Trade and Export Promotion</i>	59.061	SBAHQ-20-IT-0046	\$ 51,751
<i>State Trade and Export Promotion</i>	59.061	SBAOITST-21-0008-01-00	348,054
<i>State Trade and Export Promotion</i>	59.061	SBAOITST-220056-01-00	480,346
<b>Total U.S. Small Business Administration</b>			<b>880,150</b>
<b>U.S. Department of Commerce</b>			
<i>Manufacturing Extension Partnership</i>	11.611	2020-2592-01	<b>242,000</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,122,150</b>

**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, 2023. 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* (“Uniform Guidance”). 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 or changes in net position 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 had no subrecipients during the year ended June 30, 2023.

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, 2023

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### 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 with 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:

Assistance Listing Number

Program Name

59.061

State Trade and Export Promotion

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, 2023**

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**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 198.12 audit hours at a cost of \$37,500.