



**North
Carolina
Biotechnology
Center**

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October 29, 2015

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

FROM: Patricia J. Gravinese, CPA
Controller

SUBJECT: Quarterly Report

In accordance with the *Profit Sharing Agreement Between the State of North Carolina and the North Carolina Biotechnology Center*, enclosed are the required reports for the Biotechnology Center and its subsidiary for the quarter ending September 30, 2015. The unaudited financial statements through September 30 are provided on pages two through four. Venture capital investments, stocks, and equity held by the Biotechnology Center and its subsidiaries are listed in Exhibits A-1 and A-2. The following transactions took place during the quarter relative to investments acquired with State funds:

- Distributions from venture capital investments in the first quarter were as follows:
 - \$2,237 received from Piedmont Angel Network II, LLC
- Capital contributions to venture capital investments were made as follows:
 - \$ 1,875 capital call paid to InterSouth Partners VII, LLC
 - \$ 5,326 capital call paid to IDEA Fund, LLC

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

cc: Timothy Dale, Fiscal Research

Enclosures

ASHEVILLE

CHARLOTTE

GREENVILLE

RESEARCH TRIANGLE PARK

WILMINGTON

WINSTON-SALEM

NORTH CAROLINA BIOTECHNOLOGY CENTER

Consolidated Statement of Financial Position

For the Quarter Ending September 30, 2015

	Unaudited Quarter Ending 9/30/2015	Audited Year Ending 6/30/2015
ASSETS:		
Cash	\$ 18,896,821	\$ 22,956,930
Investments	437,973	451,168
Receivables:		
Accrued interest receivable	551,429	633,609
Miscellaneous receivables	185,578	237,305
Grants & contributions receivable	13,649,495	55,657
Notes receivable	10,455,481	9,850,310
Allowance for uncollectible notes and interest receivable	(6,417,419)	(6,417,419)
Total Receivables	<u>18,424,564</u>	<u>4,359,462</u>
Other assets	174,407	182,135
Property, plant and equipment, net	<u>9,872,961</u>	<u>10,078,704</u>
Total Assets	<u>\$ 47,806,726</u>	<u>\$ 38,028,399</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 355,988	\$ 576,709
Obligations under capital lease	14,391	19,546
Grants and loans payable	<u>6,846,687</u>	<u>7,868,390</u>
Total Liabilities	<u>7,217,066</u>	<u>8,464,645</u>
NET ASSETS:		
Unrestricted Assets:		
Designated for specific purposes	28,549,153	29,026,898
Undesignated	<u>11,392,347</u>	<u>(111,304)</u>
Total Unrestricted Net Assets	<u>39,941,500</u>	<u>28,915,594</u>
Temporarily Restricted Assets	<u>648,160</u>	<u>648,160</u>
Total Net Assets	<u>40,589,660</u>	<u>29,563,754</u>
Total Liabilities and Net Assets	<u>\$ 47,806,726</u>	<u>\$ 38,028,399</u>

NORTH CAROLINA BIOTECHNOLOGY CENTER
Consolidated Statement of Activity and Changes in Net Assets
For the Quarter Ending September 30, 2015

	Unaudited Quarter Ending 9/30/2015	Unaudited Quarter Ending 9/30/2014
UNRESTRICTED REVENUES :		
Grants and contracts:		
State of North Carolina	\$ 13,600,338	\$ 13,600,338
Interest	23,304	62,742
Hamner Conference Center	100,570	98,455
Net realized and unrealized gain on investments	17,536	1,812
Other	83,607	172,158
Total unrestricted revenues	13,825,355	13,935,505
EXPENSES AND LOSSES:		
Science and Technology Development	136,100	100,670
Statewide Development	325,662	286,943
Business and Technology Development	1,017,532	927,091
Education and Training	-	(3,565)
Hamner Conference Center	163,437	144,511
Library and Information Services	369,601	292,352
Centers of Innovation	44,678	61,526
Bioscience Industrial Development	99,975	105,227
AgBio Initiatives	193,790	165,942
BioDefense	26,591	1,315
Science and Business Development	108,282	165,232
General and Administrative	316,151	86,768
Total expenses and losses	2,801,799	2,334,012
Change in unrestricted net assets before net operating transfers	11,023,556	11,601,493
TEMPORARILY RESTRICTED REVENUES :		
Grants and Contracts:		
Contributions	2,350	224,781
Change in temporarily restricted net assets	2,350	224,781
Change in total net assets	11,025,906	11,826,274
Net Assets, beginning of period	29,563,754	29,203,801
Net Assets, end of period	\$ 40,589,660	\$ 41,030,075

NORTH CAROLINA BIOTECHNOLOGY CENTER

Consolidated Statement of Cash Flows

For the Quarter Ending September 30, 2015

	Unaudited Quarter Ending 9/30/2015	Unaudited Quarter Ending 9/30/2014
Cash flows from operating activities:		
Change in net assets	\$ 11,025,906	\$ 11,826,273
Depreciation	205,743	206,437
Increase (decrease) in cash due to changes in:		
Notes receivable	(605,171)	(319,209)
Allowance for uncollectible receivables	-	(277,392)
Accrued interest receivable	82,180	3,450
Grants and pledges receivable	(13,593,838)	(13,480,341)
Miscellaneous receivables	51,727	40,241
Other assets	7,728	(18,003)
Accounts payable and accrued expenses	(220,721)	(130,917)
Grants/notes payable	(1,021,703)	(1,273,580)
Net cash provided (used) by operating activities	(4,068,149)	(3,423,041)
Cash flows from investing activities:		
Purchase of property & equipment		
Proceeds from sale of investments	19,746	11,830
Purchase of investments	(8,264)	(10,046)
Net cash provided (used) by investing activities	11,482	1,784
Cash flows from financing activities:		
Payment on capital lease	(3,442)	(4,637)
Net cash provided (used) from Financing Activities	(3,442)	(4,637)
Net increase (decrease) in cash	(4,060,109)	(3,425,894)
Cash, beginning of period	22,956,930	23,017,338
Cash, end of period	\$ 18,896,821	\$ 19,591,444

Reconciliation of total cash to available cash:

Cash, end of period	\$ 18,896,821
Balance sheet liabilities	(7,217,066)
Contractual commitments (promise to pay)	(1,157,871)
Restricted cash	(648,160)
Required reserve balance	(7,500,000)
Available cash, end of period	\$ 2,373,724

NORTH CAROLINA BIOTECHNOLOGY CENTER
FY 2016 VENTURE CAPITAL INVESTMENTS
As of September 30, 2015

<u>INVESTMENT</u>	<u>Start Date</u>	<u>Total Commitment</u>	<u>Paid @ 6/30/2014</u>	<u>Total Distributions</u>
Aurora Enrichment Fund, LLC	06/04	15,000	15,000	4,630
* Aurora Ventures II, LLC	12/96	100,000	100,000	81,481
Aurora Ventures IV, LLC	02/02	100,000	100,000	53,988
* Aurora Ventures V, LLC	08/05	100,000	99,522	34,142
* Bull City Venture Partners	01/13	15,000	4,065	0
* Charlotte Angel Fund	12/13	5,000	5,000	0
* Harbinger/Aurora Venture Fund, LLC	10/99	500,000	500,000	322,693
Hatteras Venture Affiliates III, LP	09/06	25,000	23,473	4,457
* Hatteras Venture Partners I, LP	12/00	18,500	18,500	22,683
Hatteras Venture Partners II, LP	05/04	25,000	21,287	25,531
Hatteras Venture Partners IV, LLC	06/11	25,000	11,600	0
* IDEA Fund	07/13	20,000	13,326	0
Inception Micro Angel Fund	05/03	16,500	16,500	0
* Inception Micro Angel Fund - Cape Fear	06/11	12,500	1,000	0
Inception Micro Angel Fund - Charlotte	06/07	15,000	9,000	0
* Inception Micro Angel Fund - Coastal Plain	09/13	7,500	1,000	0
* Inception Micro Angel Fund - East	04/08	15,000	9,000	0
Inception Micro Angel Fund - RTP	09/10	12,500	3,451	0
* Inception Micro Angel Fund - Sandhill	12/13	3,000	1,000	0
Inception Micro Angel Fund - Triad 2	09/10	12,500	3,575	0
Inception Micro Angel Fund - West	03/07	16,500	16,500	127
* Intersouth Partners III, LP	06/97	10,000	10,000	21,616
* Intersouth Partners IV, LP	02/98	500,000	500,000	754,928
Intersouth Partners V Affiliates Fund, LP	03/00	100,000	100,000	64,087
Intersouth Partners V, LP	03/00	250,000	250,000	168,414
Intersouth Partners VI, LP	02/03	25,000	25,011	12,925
* Intersouth Partners VII, LP	05/06	40,000	36,400	2,909
* Physicians Fund	02/13	12,500	5,000	0
Piedmont Angel Network, LLC	12/31	25,000	25,000	4,950
* Piedmont Angel Network II, LLC	10/05	25,000	21,125	5,592
Piedmont Angel Network III, LLC	12/09	25,000	17,500	2,028
Research Triangle Ventures, LP	12/00	100,000	100,000	32,470
Southern Capitol Technology I, LLC	08/01	31,250	31,250	42,825
* Southern Capitol Technology II, LP	12/05	40,000	32,000	28,415
* Triangle Angel Partners	07/11	12,500	4,833	0
* Wilmington Investor Network	07/11	4,000	1,000	0
TOTAL VC INVESTMENTS		2,259,750	2,131,918	1,690,891
* Acquired with State Funds		O/S Commitment	127,832.00	

**NORTH CAROLINA BIOTECHNOLOGY CENTER
OTHER INVESTMENTS
Quarterly Report as of September 30, 2015**

	# Shares	Estimated Price/Share @ 6/30/2015	Cost @ 6/30/2015	FMV @ 6/30/2015	Allowance @ 6/30/2015
* Columbia Life Systems, Inc.	2,388	-	40,000.00	-	40,000
* EnSolve Biosystems, Inc.	16,000	2.50	40,000.00	40,000	-
* Endacea, Inc. (formerly Link Technology, Inc.)	35,389	0.01	25,000.00	354	24,646
Other Investments Total			<u>105,000</u>	<u>40,354</u>	<u>64,646</u>

* Acquired with State Funds

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