



**North  
Carolina  
Biotechnology  
Center**

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January 19, 2017

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

**FROM:** Patricia J. Gravinese, CPA  
Vice President, Finance and Accounting

**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 December 31, 2016. The unaudited financial statements through December 31 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 second quarter were as follows:
  - \$797 received from Physician Fund LP
- Capital contributions to venture capital investments were made as follows:
  - \$ 600 capital call paid to Intersouth Partners VII
  - \$ 458 capital call paid to Bull City ventures
  - \$ 800 capital call paid to Southern Capital Technology Fund II

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

**cc:** William Childs, Fiscal Research  
Lanier McRee, Fiscal Research

**Enclosures**

ASHEVILLE

CHARLOTTE

GREENVILLE

RESEARCH TRIANGLE PARK

WILMINGTON

WINSTON-SALEM

# NORTH CAROLINA BIOTECHNOLOGY CENTER

## Consolidated Statement of Financial Position

Quarter Ending December 31, 2016

	Unaudited Quarter Ending 12/31/2016	Audited Year Ending 6/30/2016
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 16,271,574	\$ 16,793,454
Investments:		
Marketable securities	4,724,911	4,997,176
Other investments	368,339	384,384
Total Investments	<u>5,093,250</u>	<u>5,381,560</u>
Receivables:		
Accrued interest receivable	718,373	910,746
Miscellaneous receivables	171,348	134,036
Grants & contributions receivable	12,674,153	6,500
Notes receivable	11,757,285	10,986,404
Allowance for uncollectible notes and interest receivable	(6,724,340)	(6,970,809)
Total Receivables	<u>18,596,819</u>	<u>5,066,877</u>
Other assets	234,228	211,970
Property, plant and equipment, net	<u>9,518,203</u>	<u>9,587,083</u>
<b>Total Assets</b>	<b><u>\$ 49,714,074</u></b>	<b><u>\$ 37,040,944</u></b>
<b>LIABILITIES:</b>		
Grants and loans payable	\$ 7,823,693	\$ 8,329,783
Accounts payable and accrued expenses	356,324	571,271
Obligations under capital lease	1,362	2,916
Deferred revenue	5,379,783	0
Total Liabilities	<u>13,561,162</u>	<u>8,903,970</u>
<b>NET ASSETS:</b>		
Unrestricted Assets	35,645,963	27,630,265
Temporarily Restricted Assets	506,949	506,709
Total Net Assets	<u>36,152,912</u>	<u>28,136,974</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 49,714,074</u></b>	<b><u>\$ 37,040,944</u></b>

*Internal GAAP Financial Statements without Disclosures*

**NORTH CAROLINA BIOTECHNOLOGY CENTER**  
**Consolidated Statement of Activity and Changes in Net Assets**  
**Quarter Ending December 31, 2016**

	Unaudited Quarter Ending 12/31/2016	Unaudited Quarter Ending 12/31/2015
<b>UNRESTRICTED REVENUES :</b>		
Grants and contracts:		
State of North Carolina	\$ 13,600,338	\$ 13,600,338
Interest from deposits & investments	27,414	18,499
Interest from loans	37,866	15,757
Hamner Conference Center	265,137	267,935
Net realized and unrealized gain on investments	38,259	18,103
Other	328,016	260,031
<b>Total unrestricted revenues</b>	<b>14,297,030</b>	<b>14,180,663</b>
<b>EXPENSES AND LOSSES:</b>		
Science and Business Development	245,273	219,743
Science and Technology Development	653,551	1,209,077
Business and Technology Development	2,444,700	1,551,127
Statewide Development	476,570	437,697
Bioscience Industrial Development	208,329	336,223
AgBiotech Sector	330,068	296,037
Crop Commercialization: AgBio Sector	164,387	75,063
Centers of Innovation Sector	61,345	381,881
BioDefense Sector	121,849	108,338
Life Science Intelligence	496,332	442,622
Hamner Conference Center	442,765	375,377
Corporate Communications	522,517	341,024
General and Administrative	647,838	14,507
<b>Total expenses and losses</b>	<b>6,815,524</b>	<b>5,788,716</b>
 Change in unrestricted net assets	 <b>7,481,506</b>	 <b>8,391,947</b>
 <b>TEMPORARILY RESTRICTED REVENUES :</b>		
<b>Grants and Contracts:</b>		
Grants	497,800	24,579
Contributions	36,632	154,950
 Change in temporarily restricted net assets	 <b>534,432</b>	 <b>179,529</b>
 Change in total net assets	 <b>8,015,938</b>	 <b>8,571,476</b>
 Net Assets, beginning of period	 <b>28,136,974</b>	 <b>29,563,754</b>
 Net Assets, end of period	 <b>\$ 36,152,912</b>	 <b>\$ 38,135,230</b>

*Internal GAAP Financial Statements without Disclosures*

**NORTH CAROLINA BIOTECHNOLOGY CENTER**

**Consolidated Statement of Cash Flows**

**Quarter Ending December 31, 2016**

	Unaudited Quarter Ending 12/31/2016	Unaudited Quarter Ending 12/31/2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 8,015,938	\$ 8,571,476
Depreciation	318,196	429,458
Net Realized and Unrealized (gain)/loss on investments	(38,259)	-
Increase (decrease) in cash due to changes in:		
Notes receivable	(770,881)	(861,506)
Allowance for uncollectible receivables	(246,469)	(786,842)
Accrued interest receivable	192,373	160,781
Grants and contributions receivable	(12,667,653)	(6,824,088)
Miscellaneous receivables	(37,312)	13,302
Other assets	(22,258)	50,582
Accounts payable and accrued expenses	(214,947)	(313,511)
Deferred Revenue	5,379,783	-
Grants/loans payable	(506,090)	(1,517,976)
<b>Net cash provided (used) by operating activities</b>	<b>(597,579)</b>	<b>(1,078,324)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property & equipment	(249,316)	3,415
Proceeds from sale of investments	1,082,910	60,131
Purchase of investments	(756,341)	(9,776)
<b>Net cash provided (used) by Investing activities</b>	<b>77,253</b>	<b>53,770</b>
<b>Cash flows from financing activities:</b>		
Payment on capital lease	(1,554)	(14,927)
<b>Net cash provided (used) from Financing Activities</b>	<b>(1,554)</b>	<b>(14,927)</b>
<b>Net increase (decrease) in cash</b>	<b>(521,880)</b>	<b>(1,039,481)</b>
Cash, beginning of period	16,793,454	22,956,930
<b>Cash, end of period</b>	<b>\$ 16,271,574</b>	<b>\$ 21,917,449</b>

*Internal GAAP Financial Statements without Disclosures*

**NORTH CAROLINA BIOTECHNOLOGY CENTER**  
**FY 2017 VENTURE CAPITAL INVESTMENTS**  
**As of December 31, 2016**

<u>GL Code</u>	<u>INVESTMENT</u>	<u>Start Date</u>	<u>Total Commitment</u>	<u>Paid @ 12/31/2016</u>	<u>Total Distributions</u>
11404	Aurora Enrichment Fund, LLC	06/04	15,000	15,000	4,630
11401	* Aurora Ventures II, LLC	12/96	100,000	100,000	81,574
11403	Aurora Ventures IV, LLC	02/02	100,000	100,000	57,678
11405	* Aurora Ventures V, LLC	08/05	100,000	99,522	51,332
11622	* Bull City Venture Partners	01/13	15,000	5,528	0
11626	* Charlotte Angel Fund	12/13	5,000	5,000	0
11402	* Harbinger/Aurora Venture Fund, LLC	10/99	500,000	500,000	329,321
11609	Hatteras Venture Affiliates III, LP	09/06	25,000	24,348	4,457
11601	* Hatteras Venture Partners I, LP	12/00	18,500	18,500	22,683
11602	Hatteras Venture Partners II, LP	05/04	25,000	21,287	25,531
11620	Hatteras Venture Partners IV, LLC	06/11	25,000	17,676	0
11628	Hatteras Venture Partners V, LLC	06/16	100,000	13,877	0
11624	* IDEA Fund	07/13	20,000	16,000	0
11603	Inception Micro Angel Fund	05/03	16,500	16,500	0
11617	* Inception Micro Angel Fund - Cape Fear	06/11	12,500	1,000	0
11611	Inception Micro Angel Fund - Charlotte	06/07	15,000	9,000	946
11625	* Inception Micro Angel Fund - Coastal Plain	09/13	7,500	1,000	0
11621	* Inception Micro Angel Fund - East	04/08	15,000	9,000	0
11615	Inception Micro Angel Fund - RTP	09/10	12,500	3,451	0
11627	* Inception Micro Angel Fund - Sandhill	12/13	3,000	1,000	0
11614	Inception Micro Angel Fund - Triad 2	09/10	12,500	3,575	0
11610	Inception Micro Angel Fund - West	03/07	16,500	16,500	127
11501	* Intersouth Partners III, LP	06/97	10,000	10,000	21,616
11502	* Intersouth Partners IV, LP	02/98	500,000	500,000	754,928
11504	Intersouth Partners V Affiliates Fund, LP	03/00	100,000	100,000	65,962
11503	Intersouth Partners V, LP	03/00	250,000	250,000	172,271
11505	Intersouth Partners VI, LP	02/03	25,000	25,011	16,051
11506	* Intersouth Partners VII, LP	05/06	40,000	38,400	5,470
11623	* Physicians Fund	02/13	12,500	7,500	797
11604	Piedmont Angel Network, LLC	12/31	25,000	25,000	14,685
11605	* Piedmont Angel Network II, LLC	10/05	25,000	21,125	5,592
11612	Piedmont Angel Network III, LLC	12/09	25,000	22,000	3,075
11607	Southern Capitol Technology I, LLC	08/01	31,250	31,250	42,825
11608	* Southern Capitol Technology II, LP	12/05	40,000	32,800	32,000
11619	* Triangle Angel Partners	07/11	12,500	4,833	0
<b>TOTAL VC INVESTMENTS</b>			<b>2,255,750</b>	<b>2,065,683</b>	<b>1,713,551</b>
* Acquired with State Funds			O/S Commitment	190,067.00	

**NORTH CAROLINA BIOTECHNOLOGY CENTER  
OTHER INVESTMENTS  
Quarterly Report as of December 31, 2016**

	# Shares	Estimated Price/Share @ 6/30/2016	Cost @ 6/30/2016	FMV @ 6/30/2016	Allowance @ 6/30/2016
* 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
<b>Other Investments Total</b>			<b>105,000</b>	<b>40,354</b>	<b>64,646</b>

\* 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.