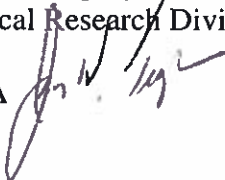


North Carolina Biotechnology Center

Offices in Asheville | Charlotte | Greenville | Research Triangle Park | Wilmington | Winston-Salem

April 30, 2018

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
Ms. Melissa Lovell, Chief Deputy Attorney General
Mr. Mark Trogon, Fiscal Research Division

FROM: James W. Teagle, MBA 
Interim 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 for the quarter ending March 31, 2018. The unaudited financial statements for the quarter ending March 31, 2018 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:
 - \$931.65 received from Piedmont Angel Network, LLC
 - \$391.99 received from Piedmont Angel Network II
 - \$17,945.35 received from Piedmont Angel Network III, LLC
 - \$231.59 received from Triangle Angel Partners, LLC
 - \$2,297.21 received from Physician Fund LP
 - \$3,220 received from Hatteras Venture Partners V, LP
 - \$51,652.18 received from Intersouth IV
- Capital contributions to venture capital investments were made as follows:
 - \$400 capital call paid to Intersouth Partners VII, LP
 - \$1,512 capital call paid to Bull City Venture Partners Fund II
 - \$9,450 capital call paid to Hatteras Venture Partners V. LP
 - \$7,500 capital call paid to Physicians' Fund LP

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
Eric Moore, Fiscal Research

Enclosures

NORTH CAROLINA BIOTECHNOLOGY CENTER

Consolidated Statement of Financial Position

Fiscal Year End June 30, 2018

As of March 31, 2018

	Unaudited Quarter Ending 3/31/2018	Audited Year Ending 6/30/2017
ASSETS:		
Cash	\$ 17,273,840	16,123,353
Investments:		
Marketable securities	8,971,501	8,649,419
Other Investments	604,229	361,103
Total Investments	<u>9,575,730</u>	<u>9,010,522</u>
Receivables:		
Accrued interest receivable	647,393	1,007,473
Miscellaneous receivables	100,611	164,604
Grants & contributions receivable	3,426,080	1,084,692
Notes receivable	13,202,120	12,841,874
Allowance for uncollectible notes receivable	<u>(6,822,818)</u>	<u>(7,566,769)</u>
Total Receivables	10,553,386	7,531,874
Other assets	188,856	134,565
Property, plant and equipment, net	<u>9,104,361</u>	<u>9,351,506</u>
Total Assets	<u>\$ 46,696,173</u>	<u>42,151,820</u>
LIABILITIES:		
Grants payable	\$ 6,149,426	5,825,740
Accounts payable & accrued expenses	425,630	486,671
Obligations under capital lease	11,514	13,011
Deferred revenue	<u>3,596</u>	<u>-</u>
Total Liabilities	<u>6,590,166</u>	<u>6,325,422</u>
NET ASSETS:		
Unrestricted designated net assets	29,749,922	29,749,922
Unrestricted undesignated net assets	4,279,609	-
Temporarily Restricted Net Assets	<u>6,076,476</u>	<u>6,076,476</u>
Total Net Assets	<u>40,106,007</u>	<u>35,826,398</u>
Total Liabilities and Net Assets	<u>\$ 46,696,173</u>	<u>42,151,820</u>

Internal GAAP Financial Statements without Disclosures

NORTH CAROLINA BIOTECHNOLOGY CENTER
Consolidated Statement of Activity and Changes in Net Assets

Fiscal Year End June 30, 2018

As of March 31, 2018

	Unaudited Quarter Ending 3/31/2018	Unaudited Quarter Ending 3/31/2017
UNRESTRICTED REVENUES :		
Grants and contracts:		
State of North Carolina	\$ 13,600,338	13,600,338
Interest from deposits & investments	162,101	56,513
Interest from loans	685,199	29,585
Hamner Conference Center	234,664	339,215
Net realized and unrealized loss on investments	662,130	12,911
Other	508,901	407,874
Total unrestricted revenues	15,853,333	14,446,436
EXPENSES AND LOSSES:		
Science and Business Development	324,681	360,732
Science and Technology Development	3,001,589	1,772,561
Business and Technology Development	548,635	3,087,062
Statewide Development	766,125	737,697
Bioscience Industrial Development	488,467	330,395
AgBiotech Sector	491,451	445,058
Crop Commercialization: AgBio Sector	628,606	237,015
Sector Development	349,365	416,236
Life Science Intelligence	721,399	763,816
Hamner Conference Center	564,145	634,162
Corporate Communications	343,009	814,558
General and Administrative	3,353,555	1,230,855
Total expenses and losses	11,581,027	10,830,147
Change in unrestricted net assets before net operating transfers	4,272,306	3,616,289
TEMPORARILY RESTRICTED REVENUES :		
Grants and Contracts:		
Grants	-	500,300
Contributions	7,303	138,347
Change in temporarily restricted net assets	7,303	638,647
Change in total net assets	4,279,609	4,254,936
Net Assets, beginning of period	35,826,398	28,136,974
Net Assets, end of period	\$ 40,106,007	32,391,910

Internal GAAP Financial Statements without Disclosures

NORTH CAROLINA BIOTECHNOLOGY CENTER

Consolidated Statement of Cash Flows

Fiscal Year End June 30, 2018

As of March 31, 2018

	Unaudited Year Ending 3/31/2018	Audited Year Ending 3/31/2017
Cash flows from operating activities:		
Change in net assets	\$ 4,279,609	4,254,936
Depreciation	518,529	477,995
Unrealized loss on investments	44,545	(12,911)
Increase (decrease) in cash due to changes in:		
Notes receivable	(360,246)	(1,105,867)
Allowance for uncollectible receivables	(743,951)	(42,599)
Accrued interest receivable	360,080	219,309
Grants and contributions receivable	(2,341,388)	(4,478,272)
Miscellaneous receivables	63,993	(23,337)
Other assets	(54,291)	24,202
Accounts payable and accrued expenses	(61,041)	(261,750)
Deferred revenue	3,596	5,379,783
Grants/loans payable	323,686	(294,625)
Net cash provided (used) by operating activities	2,033,121	4,136,864
Cash flows from investing activities:		
Purchase of property & equipment	(271,384)	(401,636)
Proceeds from sale of investments	4,073,006	75,514
Purchase of investments	(4,682,759)	(3,745,448)
Net cash provided (used) by investing activities	(881,137)	(4,071,570)
Cash flows from financing activities:		
Payment on capital lease	(1,497)	(2,363)
Net increase (decrease) in cash	1,150,487	62,931
Cash, beginning of period	16,123,353	16,793,454
Cash, end of period	\$ 17,273,840	16,856,385

Internal GAAP Financial Statements without Disclosures

NORTH CAROLINA BIOTECHNOLOGY CENTER
FY 2018 VENTURE CAPITAL INVESTMENTS
As of March 31, 2018

<u>INVESTMENT</u>	<u>Start Date</u>	<u>Total Commitment</u>	<u>Paid @ 3/31/2017</u>	<u>Total Distributions</u>
Aurora Enrichment Fund, LLC	06/04	15,000	15,000	4,790
* Aurora Ventures II, LLC	12/96	100,000	100,000	81,574
Aurora Ventures IV, LLC	02/02	100,000	100,000	59,756
* Aurora Ventures V, LLC	08/05	100,000	102,192	56,606
* Bull City Venture Partners	01/13	15,000	7,984	0
* Charlotte Angel Fund	12/13	5,000	5,000	0
* Harbinger/Aurora Venture Fund, LLC	10/99	500,000	500,000	329,321
Hatteras Venture Affiliates III, LP	09/06	25,000	24,848	4,457
Hatteras Venture Partners II, LP	05/04	25,000	21,287	25,531
Hatteras Venture Partners IV, LLC	06/11	25,000	18,926	2,035
Hatteras Venture Partners V, LLC	06/16	100,000	29,327	3,220
* IDEA Fund	07/13	20,000	20,000	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	1,116
* 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	7,784	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 IV, LP	02/98	500,000	500,000	806,580
Intersouth Partners V Affiliates Fund, LP	03/00	100,000	100,000	68,212
Intersouth Partners V, LP	03/00	250,000	250,000	178,771
Intersouth Partners VI, LP	02/03	25,000	25,011	18,730
* Intersouth Partners VII, LP	05/06	40,000	39,500	5,470
* Physicians Fund	02/13	12,500	12,500	3,184
* Piedmont Angel Network II, LLC	10/05	25,000	21,375	5,984
Piedmont Angel Network III, LLC	12/09	25,000	24,500	21,020
Piedmont Angel Network, LLC	12/31	25,000	25,000	15,617
Southern Capitol Technology I, LLC	08/01	31,250	31,250	42,825
* Southern Capitol Technology II, LP	12/05	40,000	34,000	33,974
* Triangle Angel Partners	07/11	12,500	8,666	232
TOTAL VC INVESTMENTS		<u>2,212,250</u>	<u>2,066,725</u>	<u>1,764,342</u>
* Acquired with State Funds		O/S Commitment	145,525.00	

**NORTH CAROLINA BIOTECHNOLOGY CENTER
PRIVATELY HELD STOCK ACQUIRED WITH STATE FUNDS
Quarterly Report as of March 31, 2018**

	# Shares	Estimated Price/Share @ 6/30/2017	Cost @ 6/30/2017	FMV @ 6/30/2017	Allowance @ 6/30/2017
<u>Privately Held</u>					
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
Total			105,000.00	40,354	64,646

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.