

**NC STATE UNIVERSITY  
PARTNERSHIP CORPORATION  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL REPORT**

**JUNE 30, 2014 and 2013**

**NC State University Partnership Corporation and Affiliates  
Consolidated Financial Statements  
June 30, 2014 and 2013**

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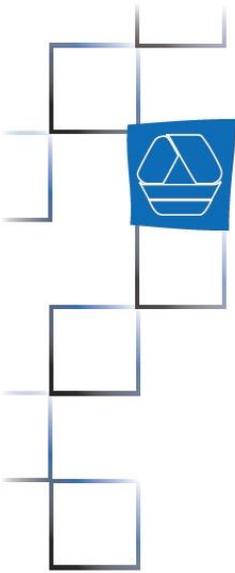
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
NC State University Partnership Corporation and Affiliates  
Raleigh, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of NC State University Partnership Corporation and Affiliates (the "Corporation"), a nonprofit organization and a component unit of North Carolina State University, which comprise the consolidated statements of net position as of June 30, 2014 and 2013, and the related consolidated statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating



the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of NC State University Partnership Corporation and Affiliates, as of June 30, 2014 and 2013, and the respective changes in net position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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.

#### *Other Information*

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise NC State University Partnership Corporation and Affiliates basic consolidated financial statements. The supplementary information on pages 18 through 25 are presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements.



The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic consolidated 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 20, 2014, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Williams Dverman Pierce, LLP*

Raleigh, North Carolina  
August 20, 2014

**NC STATE UNIVERSITY PARTNERSHIP CORPORATION AND AFFILIATES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**INTRODUCTION**

Management's discussion and analysis provides an overview of the accompanying basic consolidated financial statements of the NC State University Partnership Corporation (the "Corporation") and the six single member limited liability companies created by the Corporation. It includes comparative financial analysis with discussion of significant changes from the prior year as well as information on currently known facts, decisions, or conditions affecting the Corporation's financial affairs.

**FINANCIAL HIGHLIGHTS**

The Corporation's net position increased by 23% to \$15.10 million in fiscal year 2014. Net position represents the Corporation's equity, the assets less the liabilities. The major drivers behind this increase were the increased activities of the Leaders in Innovation and Nonwovens Commercialization, LLC, which generated approximately \$291,000 in net income during fiscal year 2014, and capital transfers to NC State University Centennial Development, LLC of \$2.86 million, primarily for construction of the new Carol Johnson Poole Clubhouse.

Revenues represent amounts received or accrued that are either operating or nonoperating in the accompanying consolidated financial statements. Operating revenues increased by \$1.39 million in fiscal year 2014 primarily due to the increased operations of Leaders in Innovation and Nonwovens Commercialization, LLC.

Operating expenses represent amounts paid or accrued for operating purposes. Operating expenses increased by \$1.72 million in fiscal year 2014 which is also attributable to the increased operations of Leaders in Innovation and Nonwovens Commercialization, LLC, which had an \$1.42 million increase in operating expenses, and the opening of the Carol Johnson Poole Clubhouse for the Lonnie Poole Golf Course, which resulted in a \$490,000 increase in clubhouse expenses.

**USING THE FINANCIAL STATEMENTS**

The Corporation's consolidated financial statements are used to evaluate the financial position as of June 30, 2014 and June 30, 2013 and the results of operations for the fiscal years then ended. The consolidated financial statements also include Consolidated Statements of Cash Flows, which are used to identify the Corporation's sources and uses of cash. In using the consolidated financial statements, the Notes to Consolidated Financial Statements should be read in conjunction with the consolidated financial statements. The disclosures in the notes provide information to better understand details associated with amounts reported in the consolidated financial statements. For supplementary information, a Consolidating Statement of Net Position and Consolidating Statement of Revenues, Expenses, and Changes in Net Position are also presented to show the detail of the balances and activity associated with the Corporation and its six individual limited liability companies.

**COMPARATIVE CONDENSED FINANCIAL STATEMENT INFORMATION**

**Consolidated Statements of Net Position**

The Consolidated Statements of Net Position provide information regarding the Corporation's assets, liabilities, and net position as of June 30, 2014 and 2013. Asset and liability balances are classified as either current or noncurrent. Assets classified as current are those that are available to pay for current liabilities or current-year expenditures. Liabilities classified as current are those that are due and payable in the next fiscal year. The net position balances are classified as either net investment in capital assets, restricted, or unrestricted.

Following is a comparative analysis of the condensed balances reported in the Consolidated Statements of Net Position as of June 30, 2014 and 2013:

**Condensed Statements of Net Position**  
**June 30, 2014 and 2013**

	2014	2013	Increase/ (Decrease)
<b>Assets</b>			
Current assets	\$ 2,714,256	\$ 2,839,787	\$ (125,531)
Real estate	2,605,000	2,550,000	55,000
Property and equipment, net	17,721,660	12,990,060	4,731,600
<b>Total assets</b>	<b>\$ 23,040,916</b>	<b>\$ 18,379,847</b>	<b>\$ 4,661,069</b>
<b>Liabilities</b>			
Current liabilities	\$ 1,562,101	\$ 1,763,151	\$ (201,050)
Long-term liabilities	6,111,012	3,980,837	2,130,175
<b>Total liabilities</b>	<b>7,673,113</b>	<b>5,743,988</b>	<b>1,929,125</b>
<b>Deferred Inflows of Resources</b>			
Deferred revenue	268,407	311,605	(43,198)
<b>Net Position</b>			
Net investment in capital assets	13,431,247	11,723,723	1,707,524
Restricted net assets, expendable	146,959	(462,905)	609,864
Unrestricted net assets	1,521,190	1,063,436	457,754
<b>Total net position</b>	<b>15,099,396</b>	<b>12,324,254</b>	<b>2,775,142</b>
<b>Total liabilities and net position</b>	<b>\$ 23,040,916</b>	<b>\$ 18,379,847</b>	<b>\$ 4,661,069</b>

Assets increased by \$4.66 million from the prior year, which is primarily a result of a \$4.73 million increase in property and equipment. The increase in property and equipment was due to construction of the Carol Johnson Poole Clubhouse for the Lonnie Poole Golf Course which was completed in fiscal year 2014.

Liabilities increased by \$1.93 million from the prior year, due to a decrease of approximately \$201,000 in current liabilities and an increase of \$2.13 million in noncurrent liabilities. The decrease in current liabilities is partially due to a decrease in the accounts payable of Leaders in Innovation and Nonwovens Commercialization, LLC and NC State University Centennial Development, LLC. The increase in long-term liabilities is primarily due to draws on the Carol Johnson Poole Clubhouse construction loan totaling \$3.05 million in fiscal year 2014. The full balance of \$885,000 on the NC State Centennial Development, LLC construction loan is considered current in fiscal year 2014.

Net position increased by \$2.78 million from the prior year. Net investment in capital assets increased by \$1.71 million due to the completion of construction on the Carol Johnson Poole Clubhouse for the Lonnie Poole Golf Course. Restricted net assets increased by approximately \$610,000 due to support received in fiscal year 2014 which was restricted for the purchase and improvement of capital assets.

## Consolidated Statements of Revenues, Expenses, and Changes in Net Position

The Consolidated Statements of Revenues, Expenses, and Changes in Net Position provide information regarding the Corporation's activities for the years ending June 30, 2014 and 2013. The activity balances are classified as operating, nonoperating, and other. Activities classified as operating include all revenues of the Corporation except those considered nonoperating or those associated with funds received to enhance capital assets, and all expenses except those related to donated services and interest expense on financing activities. Activities classified as nonoperating include contributed services and interest and fees on debt. Activities classified as other include capital contributions. Overall, the Consolidated Statements of Revenues, Expenses, and Changes in Net Position provide information to evaluate the Corporation's operations and financial strength.

Following is a comparative analysis on the condensed balances reported in the Consolidated Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2014 and 2013:

### Condensed Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2014 and 2013

	2014	2013	Increase/ (Decrease)
<b>Operating Revenues and Expenses</b>			
Operating revenues	\$ 7,165,316	\$ 5,772,068	1,393,248
Operating expenses:			
Cost of sales	4,255,534	3,092,349	1,163,185
General operating expenses	2,343,394	1,790,633	552,761
Net operating income prior to depreciation and amortization	566,388	889,086	(322,698)
Depreciation and amortization expense	442,559	334,801	107,758
Net operating income	123,829	554,285	(430,456)
<b>Nonoperating Revenues (Expenses)</b>			
Interest and fees on debt	(37,791)	(14,931)	(22,860)
Loss on disposal of property and equipment	(14,190)	-	(14,190)
Net nonoperating expenses	(51,981)	(14,931)	(37,050)
Net income before other revenues, expenses, gains, or losses	71,848	539,354	(467,506)
Capital contributions	344,558	1,926,500	(1,581,942)
Capital transfers	2,358,736	32,323	2,326,413
Change in net position	2,775,142	2,498,177	276,965
Net position			
Beginning	12,324,254	9,826,077	2,498,177
Ending	\$ 15,099,396	\$ 12,324,254	\$ 2,775,142

Operating revenues increased \$1.39 million compared to the prior year due to increased sales income from the Leaders in Innovation and Nonwovens Commercialization, LLC, which increased its operations in fiscal year 2014. Operating expenses increased by \$1.72 million from the prior year which is also attributable to the increased operations of Leaders in Innovation and Nonwovens Commercialization, LLC and the opening of the Carol Johnson Poole Clubhouse for the Lonnie Poole Golf Course, which resulted in a \$490,000 increase in clubhouse expense.

## CAPITAL ASSETS AND CURRENT AND LONG-TERM DEBT ACTIVITIES

### Capital Assets

The Corporation increased its net capital assets by \$4.73 million during fiscal year 2014. This increase is primarily due to the activities of the NC State University Centennial Development, LLC in constructing the Carol Johnson Poole Clubhouse at the Lonnie Poole Golf Course. See Note 2 in the accompanying notes to consolidated financial statements for further details.

### Current and Long-Term Debt Activities

As shown in the following table, the Corporation increased its long-term debt by \$2.15 million in fiscal year 2014 due to the NC State University Centennial Development, LLC taking out an a loan to construct the Carol Johnson Poole Clubhouse at the Lonnie Poole Golf Course.

	2014	2013	Increase
Current installments of capital lease obligations	\$ 165,708	\$ 117,832	\$ 47,876
Notes payable	885,000	-	885,000
Total current capital debt liabilities	<u>\$ 1,050,708</u>	<u>\$ 117,832</u>	<u>\$ 932,876</u>
Capital lease obligations, less current installments	\$ 190,258	\$ 168,505	\$ 21,753
Notes payable	5,835,197	3,710,750	2,124,447
Total long-term debt liabilities	<u>\$ 6,025,455</u>	<u>\$ 3,879,255</u>	<u>\$ 2,146,200</u>

The notes payable for the NC State University Centennial Development, LLC's Lonnie Poole Golf Course had \$3.93 million outstanding at June 30, 2014 including \$885,000 in current and \$3.05 million in long-term, and \$95,000 was paid on the golf course note during fiscal year 2014. See Note 7 in the accompanying notes to consolidated financial statements for further details.

There are some factors that may have a significant effect on financial position or results of operations of the Corporation in the future. NC State University Centennial Development, LLC's Lonnie Poole Golf Course revenues are dependent on the state of the economy and may fluctuate as economic factors fluctuate. Also, the revenues and expenses of the Leaders in Innovation and Nonwovens Commercialization, LLC will be highly dependent on the ability to generate new contracts.

### Contacting the NC State University Partnership Corporation

An electronic version of this report is available by accessing the Foundations Accounting and Investments home page at <http://foundationsaccounting.ofb.ncsu.edu/partnership-corporations/nc-state-partnership-corporation/> or by calling (919) 513-7149.

## **FINANCIAL STATEMENTS**

**NC State University Partnership Corporation and Affiliates**

**Consolidated Statements of Net Position**

**June 30, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Current assets		
Cash (Note 1)	\$ 2,403,740	\$ 2,748,708
Accounts receivable (Note 1)	196,608	1,536
Taxes receivable - golf course	40,265	16,889
Inventory - golf course (Note 1)	61,866	72,654
Prepaid expenses (Note 1)	11,777	-
Total current assets	<u>2,714,256</u>	<u>2,839,787</u>
Noncurrent assets		
Real estate (Note 3)	<u>2,605,000</u>	2,550,000
Property and equipment		
Golf course property and equipment, net of depreciation and amortization (Notes 1 and 2)	17,721,660	10,595,712
Construction in progress - golf course clubhouse (Notes 1 and 2)	-	2,394,348
Total property and equipment	<u>17,721,660</u>	<u>12,990,060</u>
Total noncurrent assets	<u>20,326,660</u>	<u>15,540,060</u>
<b>Total assets</b>	<u><b>\$ 23,040,916</b></u>	<u><b>\$ 18,379,847</b></u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable (Note 1)	\$ 511,393	\$ 1,645,319
Current installments of capital lease obligations (Note 5)	165,708	117,832
Notes payable (Note 7)	885,000	-
Total current liabilities	<u>1,562,101</u>	<u>1,763,151</u>
Long-term liabilities		
Capital lease obligations, less current installments (Note 5)	190,258	168,505
Funds held for others (Note 6)	85,557	101,582
Notes payable (Note 7)	5,835,197	3,710,750
Total long-term liabilities	<u>6,111,012</u>	<u>3,980,837</u>
<b>Total liabilities</b>	<u><b>7,673,113</b></u>	<u><b>5,743,988</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue (Note 1)	<u>268,407</u>	<u>311,605</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,431,247	11,723,723
Restricted net assets, expendable	146,959	(462,905)
Unrestricted net assets	1,521,190	1,063,436
<b>Total net position</b>	<u><b>15,099,396</b></u>	<u><b>12,324,254</b></u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u><b>\$ 23,040,916</b></u>	<u><b>\$ 18,379,847</b></u>

See Notes to Consolidated Financial Statements.

**NC State University Partnership Corporation and Affiliates**

**Consolidated Statements of Revenues, Expenses, and Changes in Net Position**

**For the Years Ended June 30, 2014 and 2013**

	2014	2013
<b>OPERATING REVENUES AND EXPENSES</b>		
Operating revenues	\$ 7,165,316	\$ 5,772,068
Operating expenses:		
Cost of sales	4,255,534	3,092,349
General operating expenses	2,343,394	1,790,633
Net operating income prior to depreciation and amortization	<u>566,388</u>	889,086
Depreciation expense	306,371	216,964
Amortization expense	136,188	117,837
Net operating income	<u>123,829</u>	554,285
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and fees on debt	(37,791)	(14,931)
Loss on disposal of property and equipment	(14,190)	-
Net nonoperating expenses	<u>(51,981)</u>	(14,931)
Net income before other revenues, expenses, gains, or losses	<u>71,848</u>	539,354
Capital contributions - golf course (Note 1)	265,923	150,500
Capital contributions - clubhouse (Note 1)	-	1,776,000
Contributed materials - clubhouse (Note 1)	78,635	-
Total capital contributions	<u>344,558</u>	1,926,500
Capital transfers	2,358,736	32,323
Change in net position	<u>2,775,142</u>	2,498,177
Net position		
Beginning	12,324,254	9,826,077
Ending	<u>\$ 15,099,396</u>	<u>\$ 12,324,254</u>

See Notes to Consolidated Financial Statements.

**NC State University Partnership Corporation and Affiliates**

**Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2014 and 2013**

	2014	2013
Cash flows from operating activities:		
Received from customers	\$ 6,903,670	\$ 5,797,766
Payments to employees and fringe benefits	(946,882)	(954,032)
Payments to vendors and suppliers	(6,786,961)	(2,394,169)
<b>Net cash (used in) provided by operating activities</b>	<b>(830,173)</b>	<b>2,449,565</b>
Cash flows from capital financing and related financing activities:		
Capital contributions, net	265,923	1,926,500
Purchases of fixed assets - golf course	(4,899,900)	(29,073)
Increase in net construction in progress	-	(2,141,973)
Payments on lease liabilities - golf course	(142,863)	(119,640)
Payments on notes payable - golf course	(95,000)	(150,000)
Proceeds from note payable - clubhouse	3,049,447	-
Proceeds from note payable - Bell Tower Holdings, LLC	55,000	-
Interest paid on capital debt	(35,113)	(12,211)
Capital transfers	2,358,736	32,323
<b>Net cash provided by (used in) capital financing and related financing activities</b>	<b>556,230</b>	<b>(494,074)</b>
Cash flows from investing activities:		
Investment income	(71,025)	38,136
<b>Net cash (used in) provided by investing activities</b>	<b>(71,025)</b>	<b>38,136</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(344,968)</b>	<b>1,993,627</b>
Cash and cash equivalents		
Beginning	2,748,708	755,081
Ending	<b>\$ 2,403,740</b>	<b>\$ 2,748,708</b>

(Continued)

**NC State University Partnership Corporation and Affiliates**

**Consolidated Statements of Cash Flows (Continued)**

**For the Years Ended June 30, 2014 and 2013**

	2014	2013
Reconciliation of net operating revenues to net cash provided by operating activities:		
Operating income:	\$ 123,829	\$ 554,285
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization - golf course	442,559	334,801
(Increase) decrease in:		
Accounts receivable	(218,448)	757
Inventory - golf course	10,788	10,089
Prepaid expenses	(11,777)	-
Increase (decrease) in:		
Accounts payable	(1,133,926)	1,524,692
Deferred revenue - golf course	(43,198)	24,941
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (830,173)</b>	<b>\$ 2,449,565</b>
Supplemental disclosures of noncash activities		
Capital lease issuance	209,813	-
Donated materials - golf course	78,635	-
<b>Net noncash capital and financing activities</b>	<b>\$ 288,448</b>	<b>\$ -</b>

See Notes to Consolidated Financial Statements.

## NC State University Partnership Corporation and Affiliates

### Notes to Consolidated Financial Statements For the years ended June 30, 2014 and 2013

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#### Note 1. Nature of Activities

Nature of activities: The NC State University Partnership Corporation (the "Corporation") was organized on December 17, 1984 to support and for the benefit of North Carolina State University with the aim of creating new knowledge and improving the lives of the people of North Carolina. It is organized and operated exclusively for charitable, educational, and scientific objectives. The Corporation shall carry on only those activities permitted to be carried on by an organization or entity which is exempt from taxation under the provision of paragraph 501(c)(3) of the Internal Revenue Code.

A summary of the Corporation's significant accounting policies follows:

Basis of accounting: The consolidated financial statements of the Corporation have been prepared on the accrual basis of accounting using the economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

As permitted under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Corporation has elected not to apply Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

Principles of consolidation: The consolidated financial statements include the accounts of the Corporation and six single member limited liability companies (affiliates) created by the Corporation: Leaders in Innovation and Nonwovens Commercialization ("LINC"); NC State University Centennial Development, LLC; NC State Upfit, LLC; Bell Tower Holdings, LLC; NC State CBC Land I, LLC, and NC State CC Holdings I, LLC. LINC, LLC was formed to foster economic development and creation of new knowledge by facilitating commercialization of technologies developed at the Nonwovens Institute at NC State University. NC State University Centennial Development, LLC was created to construct, own and operate a golf course located on the North Carolina State University Centennial Campus. NC State Upfit, LLC was formed to develop, construct, own and otherwise upfit facilities located on the Centennial Campus at North Carolina State University. Bell Tower Holdings, LLC was established to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all rights of ownership of real property. NC State CBC Land I, LLC was formed to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all rights of ownership of land and flex lab facilities located on North Carolina State University's Centennial Biomedical Campus. NC State CC Holdings I, LLC was formed to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all rights of ownership of land and facilities located on North Carolina State University's Centennial Campus. All significant intercompany balances and transactions have been eliminated in the consolidation.

The Supplementary Information section of this report contains additional details regarding the activities of the Corporation and the six single member LLC's. The majority of the financial activity is attributable to NC State University Centennial Development, LLC's Lonnie Poole Golf Course and LINC, LLC.

Cash: At times, the Corporation places deposits with a high-quality financial institution that may be in excess of federal insurance limits, making these excess deposits subject to custodial credit risk. The bank balance for the Partnership Corporation and its subsidiary LLCs' checking and money market accounts at June 30, 2014 was \$2,186,821. As of June 30, 2014 the Corporation's uninsured and uncollateralized bank balances that were exposed to custodial credit risk was \$1,671,515.

## NC State University Partnership Corporation and Affiliates

### Notes to Consolidated Financial Statements For the years ended June 30, 2014 and 2013

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#### Note 1. Nature of Activities (continued)

Accounts receivable: Accounts receivable primarily consists of amounts due to the Corporation on a pledge and in relation to a ground lease. Management believes substantially all accounts receivable balances are collectible as of June 30, 2014 and 2013; therefore an allowance for doubtful accounts has not been recorded.

Inventory: Inventory is accounted for using the average cost method and consists of merchandise for the golf shop.

Prepaid expenses: Prepaid expenses consist of prepaid payments on leases.

Property and equipment: Property and equipment are stated at cost. It is the Corporation's policy to capitalize all assets costing greater than \$5,000. Depreciation is computed using the straight-line method, half-year convention. Equipment is depreciated over its estimated useful lives, generally 3 to 7 years beginning in the year of acquisition. Buildings and general infrastructure are depreciated over their estimated useful lives, generally 10 to 39 years beginning in the year that construction is completed. The cost of constructing the new clubhouse for the golf course was nondepreciable construction in progress until construction was completed in fiscal year 2014, at which time the capital project costs were moved from the construction in progress account to the appropriate capital asset account. The modern greens are depreciated over 15 years and the cost of constructing the golf course is a nondepreciable capital asset.

Accounts payable: Accounts payable primarily represents trade payables due to vendors at June 30, 2014 and 2013.

Deferred revenue: NC State University Centennial Development, LLC records deferred revenue related to dues and fees paid by Lonnie Poole Golf Course Charter Partners in the current year for membership the following year. NC State University Centennial Development, LLC also records deferred revenue for annual package plans, prepaid rounds, tournaments, and gift certificates.

Net position: The Corporation's net position is classified as follows:

Net investment in capital assets: This represents the Corporation's total investment in capital assets, net of accumulated depreciation and amortization and outstanding debt obligations related to those capital assets.

Restricted net assets - expendable: Expendable restricted net assets include resources for which the Corporation is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net assets: Unrestricted net assets include net resources derived from sales and services.

Capital contributions: Primarily all contributions are received from other University-affiliated entities.

Contributed materials and services: Contributed materials and services are recorded at fair value at the date of donation and are held or used in accordance with donor restrictions.

Revenue recognition: The Corporation records revenues relating to the sale of merchandise, food and beverages also at the time of sale. In addition, the Corporation recognizes income relating to greens fees and golf cart rentals at the time of usage.

## NC State University Partnership Corporation and Affiliates

### Notes to Consolidated Financial Statements For the years ended June 30, 2014 and 2013

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#### Note 1. Nature of Activities (continued)

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Income generated by activities that would be considered unrelated to the Corporation's mission would be subject to tax which, if incurred, would be recognized as a current expense. The Corporation had no such taxable unrelated trade or business income for 2014 and 2013. Therefore, no provision for income taxes has been reflected in the accompanying consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Corporation and recognized a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Corporation, and has concluded that as of June 30, 2014 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Corporation is no longer subject to income tax examinations for years prior to 2010.

#### Note 2. Property and Equipment

For the fiscal years ended June 30, 2014 and 2013, the Corporation owned the following property:

	2014	2013
Golf course	\$ 9,240,137	\$ 8,750,618
Land improvements	75,205	-
Modern Greens	512,319	512,319
Buildings and fixtures	7,872,802	1,117,876
Equipment	674,272	691,986
Leased equipment	693,984	484,170
Accumulated depreciation and amortization	(1,347,059)	(961,257)
Golf course property and equipment, net of depreciation and amortization	17,721,660	10,595,712
Construction in progress - golf course clubhouse	-	2,394,348
Total property and equipment	<u>\$ 17,721,660</u>	<u>\$ 12,990,060</u>

Included in the cost of the property are cumulative donated materials of \$1,315,147 and \$1,236,512 as of June 30, 2014 and 2013, respectively. Total depreciation and amortization expense for the years ended June 30, 2014 and June 30, 2013 was \$442,559 and \$334,801, respectively.

## NC State University Partnership Corporation and Affiliates

### Notes to Consolidated Financial Statements For the years ended June 30, 2014 and 2013

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#### **Note 3. Real Estate**

Three tracts of land on Hillsborough Street are held by Bell Tower Holdings, LLC on behalf of its member, the Endowment Fund of NC State University. Two of these tracts of land were purchased by the Endowment Fund of NC State University for a total of \$2,730,750 and one tract of land was gifted with a fair market value of \$55,000. The tracts of land are reported on the consolidated financial statements at June 30, 2014 and 2013 at their latest appraised values of \$2,605,000 and \$2,550,000, respectively. These are the only assets reported at fair value on the consolidated financial statements and the valuation is based on a Level 2 input, which consists of quoted prices in active markets for similar assets, within the three-level fair value hierarchy established by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.

On January 26, 2011, CC Holdings, LLC entered into a 65-year ground lease agreement, for which the rent commencement date was May 1, 2014, for land owned by the state of North Carolina with a third party, which allows the lessee to construct, maintain, operate and lease residential residences. In consideration, the lessee will provide CC Holdings, LLC with rent according to a variable rental schedule for the duration of the lease.

On July 12, 2013, Bell Tower Holdings, LLC entered into a 50-year ground lease agreement for its property with a third party, which allows the lessee to develop, construct, improve, finance, manage, operate, maintain, and repair a first-class limited or select service hotel and retail, office, and commercial uses supportive of the hotel. In consideration, the lessee will provide Bell Tower Holdings, LLC with rent according to an escalating rental schedule for the duration of the lease. The lease also contains an option to purchase, which is \$2.5 million until 2034 when the purchase price begins escalating annually for the remainder of the lease term.

#### **Note 4. Operating Leases**

During fiscal years 2014 and 2013, NC State University Centennial Development, LLC had operating leases for golf carts and maintenance equipment with total payments for the years ended June 30, 2014 and 2013 of \$45,511 and \$61,199, respectively. Future minimum lease payments at June 30, 2014 under the noncancelable operating leases are \$70,771 for fiscal year 2015.

#### **Note 5. Capital Leases**

NC State University Centennial Development, LLC has entered into capital leases of certain equipment. The gross amount of assets recorded under capitalized leases totaled \$693,984 and \$484,170 as of June 30, 2014 and 2013, respectively, and is included in property and equipment. The assets are amortized over the lesser of their related lease terms or their estimated useful lives. In the event of a bargain purchase price option, the asset is amortized over its useful life. The accumulated amortization on these leased assets was \$312,943 and \$176,755 as of June 30, 2014 and 2013, respectively.

## NC State University Partnership Corporation and Affiliates

### Notes to Consolidated Financial Statements For the years ended June 30, 2014 and 2013

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#### Note 5. Capital Leases (continued)

Future minimum lease payments, gross of taxes, under capital leases at June 30, 2014 are as follows:

Years ending June 30:		
2015	\$	168,520
2016		98,730
2017		48,880
2018		40,002
2019		5,252
		<u>361,384</u>
Imputed interest		<u>(5,417)</u>
Present value of net minimum lease payments	\$	<u>355,967</u>

#### Note 6. Funds Held for Others

As of June 30, 2014 and 2013, Bell Tower Holdings, LLC had \$85,557 and \$101,582, respectively, in funds held for others, made up of cumulative earnings from investment real estate as well as unrealized gains and losses due to the change in market value of the real estate itself. During fiscal year 2014, Bell Tower Holdings, LLC generated a net loss of approximately \$16,000 for the year. These monies are held on behalf of the Endowment Fund of NC State University. See Note 3 above.

#### Note 7. Notes Payable

NC State University Centennial Development, LLC opened a \$3,100,000 construction loan with SunTrust Bank on July 31, 2013 that matures on July 30, 2016. NC State University Centennial Development, LLC had \$3,049,447 drawn on the loan at June 30, 2014. Interest is due monthly and the interest rate on the loan is LIBOR plus 1.15% per annum, which was 1.301% at June 30, 2014. The loan is collateralized by all deposits and investments maintained by NC State University Centennial Development, LLC with SunTrust Bank and by the Endowment Fund Board of Trustees, which agreed to pay back the outstanding principal and any accrued and unpaid interest and fees due on the loan in event of default.

NC State University Centennial Development, LLC opened an unsecured \$5,000,000 line of credit with SunTrust Bank on January 24, 2008 that matured on January 30, 2012 and was renewed by a \$1,350,000 note on January 30, 2012 which matures on January 30, 2015. NC State University Centennial Development, LLC had \$885,000 and \$980,000 due on the note at June 30, 2014 and 2013, respectively. The interest rate on the note is the 1-month LIBOR plus 0.95% per annum, which was 1.101% and 1.144% at June 30, 2014 and 2013, respectively.

During the fiscal year ended June 30, 2008, The Endowment Fund Board of Trustees agreed to invest up to \$5,000,000 in the NC State University Centennial Development, LLC for the Lonnie Poole Golf Course in the event the LLC could not meet its loan payback or should the LLC desire to pay off the loan prior to receipt of expected cash flow. The Endowment Fund reaffirmed its obligation to invest up to the \$1,350,000 loan amount under the note renewed on January 30, 2012. As of June 30, 2014, there have been no investments by the Endowment Fund for this obligation.

## NC State University Partnership Corporation and Affiliates

### Notes to Consolidated Financial Statements For the years ended June 30, 2014 and 2013

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#### **Note 8. Risk Management**

The Corporation is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The Corporation's affairs are conducted by employees of North Carolina State University and exposures to loss resulting from this arrangement are handled by the University through a combination of methods, including participation in various risk pools administered by the State of North Carolina, purchase of commercial insurance, and self-retention of certain risks. Additional details on the University's risk management program are disclosed in the financial report of the University.

#### **Note 9. Prior Year Reclassifications and Restatement**

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation with no effect on previously reported net position.

During fiscal year 2014, it was determined that depreciation should be removed from unrestricted net assets and only be included in net investment in capital assets. Therefore, the Corporation has restated net investment in capital assets, restricted net assets, expendable, and unrestricted net assets to reflect this change. Net investment in capital assets and restricted net assets, expendable for the fiscal year 2013 decreased by \$286,337 and \$687,334, respectively. Unrestricted net assets increased \$973,671. This restatement had no effect on previously reported total net position.

#### **Note 10. Subsequent Events**

The Corporation has evaluated subsequent events through August 20, 2014, the date which the consolidated financial statements were available to be issued, and there were no subsequent events to report.

## **SUPPLEMENTARY INFORMATION**

NC State University Partnership Corporation and Affiliates

Consolidating Statement of Net Position  
June 30, 2014

	Leaders in Innovation and Nonwovens Commercialization, LLC	NC State University Centennial Development, LLC	NC State Upfit, LLC
<b>ASSETS</b>			
Current assets			
Cash	\$ 1,266,886	\$ 865,177	\$ 1,535
Accounts receivable	-	150,000	-
Taxes receivable - golf course	23	40,242	-
Inventory - golf course	-	61,866	-
Prepaid expenses	-	11,777	-
Total current assets	1,266,909	1,129,062	1,535
Noncurrent assets			
Real estate	-	-	-
Property and equipment			
Golf course property and equipment, net of depreciation and amortization	-	17,721,660	-
Construction in progress - golf course clubhouse	-	-	-
Total property and equipment	-	17,721,660	-
Total noncurrent assets	-	17,721,660	-
<b>Total assets</b>	<b>\$ 1,266,909</b>	<b>\$ 18,850,722</b>	<b>\$ 1,535</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities			
Accounts payable	\$ 60,927	\$ 450,466	\$ -
Current installments of capital lease obligations	-	165,708	-
Notes payable	-	885,000	-
Total current liabilities	60,927	1,501,174	-
Long-term liabilities			
Capital lease obligations, less current installments	-	190,258	-
Funds held for others	-	-	-
Notes payable	-	3,049,447	-
Total long-term liabilities	-	3,239,705	-
<b>Total liabilities</b>	<b>60,927</b>	<b>4,740,879</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	-	268,407	-
<b>NET POSITION</b>			
Net investment in capital assets	-	13,431,247	-
Restricted net assets, expendable	-	146,959	-
Unrestricted net assets	1,205,982	263,230	1,535
<b>Total net position</b>	<b>1,205,982</b>	<b>13,841,436</b>	<b>1,535</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,266,909</b>	<b>\$ 18,850,722</b>	<b>\$ 1,535</b>

Bell Tower Holdings, LLC	NC State CBC Land I, LLC	NC State CC Holdings I, LLC	NC State University Partnership Corporation	Consolidated
\$ 266,307	\$ 1,535	\$ 1,535	\$ 765	\$ 2,403,740
-	-	46,608	-	196,608
-	-	-	-	40,265
-	-	-	-	61,866
-	-	-	-	11,777
266,307	1,535	48,143	765	2,714,256
2,605,000	-	-	-	2,605,000
-	-	-	-	17,721,660
-	-	-	-	-
-	-	-	-	17,721,660
2,605,000	-	-	-	20,326,660
\$ 2,871,307	\$ 1,535	\$ 48,143	\$ 765	\$ 23,040,916
\$ -	\$ -	\$ -	\$ -	511,393
-	-	-	-	165,708
-	-	-	-	885,000
-	-	-	-	1,562,101
-	-	-	-	190,258
85,557	-	-	-	85,557
2,785,750	-	-	-	5,835,197
2,871,307	-	-	-	6,111,012
2,871,307	-	-	-	7,673,113
-	-	-	-	268,407
-	-	-	-	13,431,247
-	-	-	-	146,959
-	1,535	48,143	765	1,521,190
-	1,535	48,143	765	15,099,396
\$ 2,871,307	\$ 1,535	\$ 48,143	\$ 765	\$ 23,040,916

NC State University Partnership Corporation and Affiliates

Consolidating Statement of Net Position  
June 30, 2013

	Leaders in Innovation and Nonwovens Commercialization, LLC	NC State University Centennial Development, LLC	NC State Upfit, LLC
<b>ASSETS</b>			
Current assets			
Cash	\$ 1,531,645	\$ 908,038	\$ 1,535
Accounts receivable	-	-	-
Taxes receivable - golf course	-	16,889	-
Inventory - golf course	-	72,654	-
Total current assets	1,531,645	997,581	1,535
Noncurrent assets			
Real estate	-	-	-
Property and equipment			
Golf course property and equipment, net of depreciation and amortization	-	10,595,712	-
Construction in progress - golf course clubhouse	-	2,394,348	-
Total property and equipment	-	12,990,060	-
Total noncurrent assets	-	12,990,060	-
<b>Total assets</b>	<b>\$ 1,531,645</b>	<b>\$ 13,987,641</b>	<b>\$ 1,535</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities			
Accounts payable	\$ 616,978	\$ 1,005,480	\$ -
Current installments of capital lease obligations	-	117,832	-
Total current liabilities	616,978	1,123,312	-
Long-term liabilities			
Capital lease obligations, less current installments	-	168,505	-
Funds held for others	-	-	-
Notes payable	-	980,000	-
Total long-term liabilities	-	1,148,505	-
<b>Total liabilities</b>	<b>616,978</b>	<b>2,271,817</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	-	311,605	-
<b>NET POSITION</b>			
Net investment in capital assets	-	11,723,723	-
Restricted net assets, expendable	-	(462,905)	-
Unrestricted net assets	914,667	143,401	1,535
<b>Total net position</b>	<b>914,667</b>	<b>11,404,219</b>	<b>1,535</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 1,531,645</b>	<b>\$ 13,987,641</b>	<b>\$ 1,535</b>

	Bell Tower Holdings, LLC	NC State CBC Land I, LLC	NC State CC Holdings I, LLC	NC State University Partnership Corporation	Consolidated
\$	299,251	\$ 1,535	\$ 1,535	\$ 5,169	\$ 2,748,708
	1,536	-	-	-	1,536
	-	-	-	-	16,889
	-	-	-	-	72,654
	300,787	1,535	1,535	5,169	2,839,787
	2,550,000	-	-	-	2,550,000
	-	-	-	-	10,595,712
	-	-	-	-	2,394,348
	-	-	-	-	12,990,060
	2,550,000	-	-	-	15,540,060
\$	2,850,787	\$ 1,535	\$ 1,535	\$ 5,169	\$ 18,379,847
\$	18,455	\$ -	\$ -	\$ 4,406	\$ 1,645,319
	-	-	-	-	117,832
	18,455	-	-	4,406	1,763,151
	-	-	-	-	168,505
	101,582	-	-	-	101,582
	2,730,750	-	-	-	3,710,750
	2,832,332	-	-	-	3,980,837
	2,850,787	-	-	4,406	5,743,988
	-	-	-	-	311,605
	-	-	-	-	11,723,723
	-	-	-	-	(462,905)
	-	1,535	1,535	763	1,063,436
	-	1,535	1,535	763	12,324,254
\$	2,850,787	\$ 1,535	\$ 1,535	\$ 5,169	\$ 18,379,847

**NC State University Partnership Corporation and Affiliates**

**Consolidating Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2014**

	Leaders in Innovation and Nonwovens Commercialization, LLC	NC State University Centennial Development, LLC	NC State Upfit, LLC
<b>OPERATING REVENUES AND EXPENSES</b>			
Operating revenues:			
Contracted services revenue	\$ 5,100,261	\$ -	\$ -
Merchandise sales	-	249,824	-
Greens fees income	-	1,183,819	-
Golf cart income	-	226,836	-
Food and beverage sales	-	52,053	-
Other operating revenue	9,516	296,391	-
Rental income	-	-	-
Total operating revenues	5,109,777	2,008,923	-
Operating expenses:			
Cost of sales	4,068,504	187,030	-
General operating expenses:			
Marketing expense	-	27,951	-
Contracted services expense	63,280	946,882	-
General and administrative expense	65,784	167,245	-
Clubhouse expense	-	623,903	-
Repairs and maintenance expense	100,233	201,846	-
Rental expense	-	49,399	-
Supplies expense	5,031	-	-
Office expense	9,918	3,527	-
Insurance expense	5,498	21,849	-
Other current services	214	50,228	200
Total general operating expenses	249,958	2,092,830	200
Net operating income (loss) prior to depreciation and amortization	791,315	(270,937)	(200)
Depreciation expense	-	306,371	-
Amortization expense	-	136,188	-
Total operating expenses	4,318,462	2,722,419	200
Net operating income (loss)	791,315	(713,496)	(200)
<b>NONOPERATING EXPENSES</b>			
Interest and fees on debt	-	(37,791)	-
Loss on disposals of fixed assets	-	(14,190)	-
Net nonoperating expenses	-	(51,981)	-
Net income (loss) before other revenues, expenses, gains, and losses	791,315	(765,477)	(200)
Capital contributions - golf course	-	265,923	-
Capital contributions - clubhouse	-	-	-
Contributed materials - clubhouse	-	78,635	-
Total capital contributions	-	344,558	-
Capital transfers	(500,000)	2,858,136	200
<b>Change in net position</b>	291,315	2,437,217	-
Net position			
Beginning	914,667	11,404,219	1,535
Ending	\$ 1,205,982	\$ 13,841,436	\$ 1,535

	Bell Tower Holdings, LLC	NC State CBC Land I, LLC	NC State CC Holdings I, LLC	NC State University Partnership Corporation	Consolidated
\$	-	\$ -	\$ -	\$ -	5,100,261
	-	-	-	-	249,824
	-	-	-	-	1,183,819
	-	-	-	-	226,836
	-	-	-	-	52,053
	-	-	-	8	305,915
	-	-	46,608	-	46,608
	-	-	46,608	8	7,165,316
	-	-	-	-	4,255,534
	-	-	-	-	27,951
	-	-	-	-	1,010,162
	-	-	-	6	233,035
	-	-	-	-	623,903
	-	-	-	-	302,079
	-	-	-	-	49,399
	-	-	-	-	5,031
	-	-	-	-	13,445
	-	-	-	-	27,347
	-	200	200	-	51,042
	-	200	200	6	2,343,394
	-	(200)	46,408	2	566,388
	-	-	-	-	306,371
	-	-	-	-	136,188
	-	200	200	6	7,041,487
	-	(200)	46,408	2	123,829
	-	-	-	-	(37,791)
	-	-	-	-	(14,190)
	-	-	-	-	(51,981)
	-	(200)	46,408	2	71,848
	-	-	-	-	265,923
	-	-	-	-	-
	-	-	-	-	78,635
	-	-	-	-	344,558
	-	200	200	-	2,358,736
	-	-	46,608	2	2,775,142
	-	1,535	1,535	763	12,324,254
\$	\$ -	\$ 1,535	\$ 48,143	\$ 765	\$ 15,099,396

NC State University Partnership Corporation and Affiliates

Consolidating Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2013

	Leaders in Innovation and Nonwovens Commercialization, LLC	NC State University Centennial Development, LLC	NC State Upfit, LLC
<b>OPERATING REVENUES AND EXPENSES</b>			
Operating revenues:			
Contracted service revenues	\$ 3,811,450	\$ -	\$ -
Merchandise sales	-	272,773	-
Greens fees income	-	1,132,089	-
Golf cart income	-	261,176	-
Food and beverage sales, net	-	182,430	-
Other operating revenue	200	111,950	-
Total operating revenues	3,811,650	1,960,418	-
Operating expenses:			
Cost of sales	2,818,464	273,885	-
General operating expenses:			
Marketing expense	332	51,947	-
Contracted services expense	-	954,032	-
General and administrative expense	28,211	159,735	-
Clubhouse expense	-	135,316	-
Repairs and maintenance expense	205	288,946	-
Rental expense	-	50,978	-
Supplies expense	32,253	-	-
Office expense	3,351	3,247	-
Insurance expense	4,267	14,838	-
Other current services	10,400	50,585	200
Total general operating expenses	79,019	1,709,624	200
Net operating income (loss) prior to depreciation and amortization	914,167	(23,091)	(200)
Depreciation expense	-	216,964	-
Amortization expense	-	117,837	-
Total operating expenses	2,897,483	2,318,310	200
Net operating income (loss)	914,167	(357,892)	(200)
<b>NONOPERATING EXPENSES</b>			
Interest and fees on debt	-	(14,931)	-
Net nonoperating expenses	-	(14,931)	-
Net income (loss) before other revenues, expenses, gains, and losses	914,167	(372,823)	(200)
Capital contributions	500	150,000	-
Capital contributions - clubhouse	-	1,776,000	-
Total capital contributions	500	1,926,000	-
Capital transfers	-	29,073	650
<b>Change in net position</b>	914,667	1,582,250	450
Net position			
Beginning	-	9,821,969	1,085
Ending	\$ 914,667	\$ 11,404,219	\$ 1,535

	Bell Tower Holdings, LLC	NC State CBC Land I, LLC	NC State CC Holdings I, LLC	NC State University Partnership Corporation	Consolidated
\$	-	-	-	-	3,811,450
	-	-	-	-	272,773
	-	-	-	-	1,132,089
	-	-	-	-	261,176
	-	-	-	-	182,430
	-	-	-	-	112,150
	-	-	-	-	5,772,068
	-	-	-	-	3,092,349
	-	-	-	-	52,279
	-	-	-	-	954,032
	-	-	-	90	188,036
	-	-	-	-	135,316
	-	-	-	-	289,151
	-	-	-	-	50,978
	-	-	-	-	32,253
	-	-	-	-	6,598
	-	-	-	-	19,105
	-	200	1,500	-	62,885
	-	200	1,500	90	1,790,633
	-	(200)	(1,500)	(90)	889,086
	-	-	-	-	216,964
	-	-	-	-	117,837
	-	200	1,500	90	5,217,783
	-	(200)	(1,500)	(90)	554,285
	-	-	-	-	(14,931)
	-	-	-	-	(14,931)
	-	(200)	(1,500)	(90)	539,354
	-	-	-	-	150,500
	-	-	-	-	1,776,000
	-	-	-	-	1,926,500
	-	650	1,950	-	32,323
	-	450	450	(90)	2,498,177
	-	1,085	1,085	853	9,826,077
\$	-	\$ 1,535	\$ 1,535	\$ 763	\$ 12,324,254

## **INTERNAL CONTROL AND COMPLIANCE MATTERS**

**INDEPENDENT AUDITORS' REPORT 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  
NC State University Partnership Corporation and Affiliates  
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 financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of NC State University Partnership Corporation and Affiliates as of and for the year ended June 30, 2014, and the related notes to the consolidated financial statements, which collectively comprise NC State University Partnership Corporation and Affiliates basic consolidated financial statements, and have issued our report thereon dated August 20, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered NC State University Partnership Corporation and Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of NC State University Partnership Corporation and Affiliates internal control. Accordingly, we do not express an opinion on the effectiveness of NC State University Partnership Corporation and Affiliates' 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 consolidated 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the NC State University Partnership Corporation and Affiliates' consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams Dverman Pierce, LLP*

Raleigh, North Carolina  
August 20, 2014

## **OTHER INFORMATION**



Williams Overman Pierce, LLP  
Certified Public Accountants and Consultants

August 20, 2014

To the Board of Directors  
NC State University Partnership Corporation and Affiliates  
Raleigh, North Carolina

We have audited the consolidated financial statements of NC State University Partnership Corporation and Affiliates (the "Corporation"), a nonprofit organization and a component unit of North Carolina State University, for the year ended June 30, 2014, and have issued our report thereon dated August 20, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 12, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NC State University Partnership Corporation and Affiliates are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.



### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No material misstatements were detected as a result of audit procedures, and as such, no adjustments were necessary.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 20, 2014.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



### **Other Matters**

We applied certain limited procedures to identify Management's Discussion and Analysis, which is required supplementary information ("RSI") that supplements the basic consolidated financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the consolidated financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

We are happy to respond to any questions you may have concerning this communication. We appreciate the opportunity to continue to serve the NC State University Partnership Corporation and Affiliates.

This information is intended solely for the use of the Board of Directors and management of NC State University Partnership Corporation and Affiliates and is not intended to be and should not be used by anyone other than these specified parties.

*Williams Dverman Pierce, LLP*