



**UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

(A Component Unit of the University of Nebraska)

Combined Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

**UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

(A Component Unit of the University of Nebraska)

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Independent Auditors' Report

The Board of Regents
University of Nebraska:

Report on the Combined Financial Statements

We have audited the accompanying combined statements of net position of the University Technology Development Corporation and subsidiaries (UTDC), a component unit of the University of Nebraska, as of June 30, 2020 and 2019, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements, which collectively comprise the UTDC's combined financial statements as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the respective financial position of the University Technology Development Corporation and subsidiaries as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–7 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020, on our consideration of the UTDC'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the UTDC's 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 UTDC's internal control over financial reporting and compliance.

KPMG LLP

Omaha, Nebraska
December 10, 2020

**UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION
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Management's Discussion and Analysis

June 30, 2020 and 2019 (Unaudited)

(In thousands)

Introduction

This discussion and analysis is designed to provide an overview of the combined financial position and activities of the University Technology Development Corporation (UTDC) and subsidiaries for the years ended June 30, 2020 and 2019. This analysis has been prepared by management of the UTDC and is intended to be read in conjunction with the combined financial statements and the related notes that follow.

UTDC is an entity created by the Board of Regents of the University of Nebraska (the University) to provide governance and oversight over technology and research enterprises that serve the University and its four campuses. UTDC is a component unit of the University of Nebraska. The subsidiaries included in the combined financial statements are as follows:

Subsidiary	Primary purpose
NUtech Ventures (NUtech)	Tech transfer support and activities at the University of Nebraska–Lincoln (UNL)
UNeMed Corporation (UNeMed) (formerly UNMCTech)	Tech transfer support and activities at the University of Nebraska Medical Center (UNMC)
NE Enterprises, Inc. (NEI) (formerly UNeMed)	Oversees and develops growing business development opportunities internationally and domestically
Med Center Development Corporation (MCDC)	Provides support and assistance for the development of properties owned by the University and enhancement of the midtown Omaha area near the UNMC campus
Nebraska Innovation Campus Development Corporation (NICDC)	An entity focused on the acquisition, financing, improvement, and operation of a research park
Nebraska Applied Research Institute (NARI)	Performs cybersecurity research and development, technology demonstration, and advising on cyber resilience in the operational technology of critical systems, serving commercial facilities, utilities, healthcare and government
National Strategic Research Institute (NSRI)	A University Affiliated Research Center (UARC) that provides essential research, development, engineering, and technology capabilities of particular importance to the U.S. Department of Defense
Biomedical Technology Transfer Corporation (BIOTT)	Commercialization partner for UNeTech institute, a translational research institute and startup incubator for UNMC and the University of Nebraska-Omaha (UNO). BIOTT receives donations and invests and holds interests in start-up companies
University Village Development Corporation of Kearney (UVDCK)	An entity focused on improvement, development, and operation of underutilized land near the University of Nebraska-Kearney (UNK) campus

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In all of the entities under the UTDC umbrella, license income, grants and contracts, and research payments are the primary sources of income. To the extent that additional funds are required to meet expenses, funds are transferred from other University sources and are displayed as nonoperating revenues in the accompanying combined financial statements.

Expenses of these entities consist primarily of salaries and wages; contractual services, which consist of legal and other related costs around technology transfer, patents, and related activities; and distributions made to inventors, university colleges, and the campuses of the University. The distributions are fixed by agreement by the campuses with the researchers/investigators and their university departments.

The combined statement of net position of UTDC consists primarily of payables, receivables and cash. A net deficit in any one year, in the opinion of management, represents a temporary condition relating to the timing of receipts and disbursements more than the ability of UTDC to meet its obligations on an ongoing basis.

Condensed Statements of Net Position

	June 30		
	2020	2019	2018
Assets:			
Current assets	\$ 16,440	12,653	10,891
Noncurrent assets	585	858	1,190
Total assets	<u>\$ 17,025</u>	<u>13,511</u>	<u>12,081</u>
Liabilities:			
Current liabilities	\$ 11,338	11,692	9,837
Noncurrent liabilities	195	74	—
Total liabilities	<u>\$ 11,533</u>	<u>11,766</u>	<u>9,837</u>
Net position:			
Net investment in capital assets	\$ 585	858	1,190
Unrestricted	4,907	887	1,054
Total net position	<u>\$ 5,492</u>	<u>1,745</u>	<u>2,244</u>

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(In thousands)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Years ended June 30		
	2020	2019	2018
License income	\$ 7,177	6,742	5,983
Grants and contracts	23,649	19,761	12,643
Other income	2,579	2,330	1,393
Total operating revenues	<u>33,405</u>	<u>28,833</u>	<u>20,019</u>
Compensation and benefits	13,447	11,951	9,624
Supplies and services	16,855	18,429	14,906
Depreciation	338	332	322
Total direct operating expenses	<u>30,640</u>	<u>30,712</u>	<u>24,852</u>
Distributions to campuses and inventors	(6,478)	(6,894)	(5,400)
Nonoperating revenues, net	7,460	8,274	10,659
Increase (decrease) in net position	<u>3,747</u>	<u>(499)</u>	<u>426</u>
Net position, beginning of year	<u>1,745</u>	<u>2,244</u>	<u>1,818</u>
Net position, end of year	<u>\$ 5,492</u>	<u>1,745</u>	<u>2,244</u>

Financial and Operating Highlights – 2020

The financial results of UTDC can vary widely depending on the success of licensing, patent, and grants and contracts activity, many of which entail one-time payments in the transfer process.

Operating revenues were approximately \$33 million in FY20, compared to \$29 million in FY19, an increase of about 15%. During 2018, operating revenues were \$20 million. Proceeds from products of a key license agreement gaining market share continue to provide significant income to NUtech Ventures. Further, NSRI saw a 21% increase in grants and contracts revenue during FY20 due to increased activity.

Total operating expenses remained stable when comparing 2020 to 2019 at \$30,640 and \$30,712, respectively. This level compares to operating expenses of \$24,852 in 2018. While 2020 saw about a \$1.5 million increase in compensation and benefits, it was offset by a decrease of about \$1.6 million in supplies and services.

Changes to other categories of revenues and expenses were minimal in both 2020 and 2019.

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The investment by the University in UTDC and its subsidiaries creates economic activity for the State of Nebraska and the larger economy, and provides funding back to the inventors, colleges, and campuses. This is recapped below as extracted from the related combined financial statements.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Three-year total</u>
Operating assets transferred from the University	\$ 7,666	7,758	9,787	25,211
Activity generated (operating expenses):				
Compensation and benefits	\$ 13,447	11,951	9,624	35,022
Research and other activities	16,855	18,429	14,906	50,190
Royalties	2,018	2,109	1,858	5,985
Distributions to campuses	4,460	4,785	3,542	12,787
Total activity generated	<u>\$ 36,780</u>	<u>37,274</u>	<u>29,930</u>	<u>103,984</u>

Over a three-year period, the University has invested approximately \$25 million in the UTDC subsidiaries. In return, these entities have leveraged this investment and University technologies to generate approximately \$104 million in economic activity: approximately \$35 million in benefit-paying jobs; \$50 million to campus research activities; \$6 million in royalties; and \$13 million in distributions back to deans, directors, and campuses.

Financial and Operating Highlights – 2019

Operating revenues were approximately \$29 million in FY19, compared to \$20 million in FY18, an increase of about 44%. During 2017, operating revenues were \$13 million. Proceeds from products of a key license agreement gaining market share continue to provide significant income to NUtech Ventures. Further, NSRI saw a 52% increase in grants and contracts revenue during FY19.

Total operating expenses increased 24% when comparing 2019 to 2018 at \$30,712 and \$24,852, respectively. This level compares to operating expenses of \$19,632 in 2017. The increase was primarily driven by the increased grants and contracts activity at NSRI, which required an additional investment in people and resources.

Changes to other categories of revenues and expenses were minimal in both 2019 and 2018.

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Economic Outlook and Subsequent Events that Will Affect the Future

The subsidiaries of UTDC are primarily directed to two strategic areas: research and development activities. Research growth is one of the highest strategic objectives of the University.

- In September 2020, NSRI was awarded a new 5-year \$92 million research and development contract with U.S. Strategic Command and continues to perform research on other direct contracts with the Defense Threat Reduction Agency (DTRA), the Defense Intelligence Agency (DIA) and U.S. Department of State.
- NUtech continues to have an emphasis on technology marketing processes and license agreement execution.
- NICDC continues to grow rental income and develop further plans for expansion at Innovation Campus.
- At MCDC, UNMC has completed its master planning and is in the process of completing traffic and infrastructure studies. MCDC will launch multiple Request for Proposals (RFPs) to begin development of the Saddle Creek properties.
- UNeMed continues to foster innovation, advance biomedical research and engage entrepreneurs and industry to commercialize novel technologies that are created at UNMC and UNO.
- NEI works to facilitate domestic and international business development opportunities for UNMC and UNO.
- BIOTT is starting to establish business processes and build relationships to serve as the financial support to accelerate University-supported startup opportunities.
- UVDCK emphasizes diversified development of the leased University Village site to benefit the University, community, region and State of Nebraska with quality facilities, enhanced programs, and private and public partners with similar goals and visions. UVDCK is currently contracted with its first private partner for residential and commercial development on a portion of the University Village site.
- Due to University budget constraints caused by the COVID-19 pandemic, NARI will conclude its operations in FY21. The entity will be reconstituted as Nebraska Research Defense Corporation (NRDC), a nonprofit organization focused on development of nuclear command, control and communications capabilities through partnerships with the government and private sector.

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Combined Statements of Net Position

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	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 8,024	6,089
Accounts receivable, net	7,043	5,450
Due from related parties	1,182	982
Prepaid expenses and deferred charges	191	132
Total current assets	16,440	12,653
Noncurrent assets:		
Capital assets, net of accumulated depreciation	585	858
Total noncurrent assets	585	858
Total assets	\$ 17,025	13,511
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,229	1,138
Accrued compensated absences	298	47
Royalties	539	570
Due to related parties	9,272	9,429
Deferred revenue	—	508
Total current liabilities	11,338	11,692
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	195	74
Total noncurrent liabilities	195	74
Total liabilities	\$ 11,533	11,766
Net position:		
Net investment in capital assets	\$ 585	858
Unrestricted	4,907	887
Total net position	\$ 5,492	1,745

See accompanying notes to combined financial statements.

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Combined Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2020 and 2019

(In thousands)

	2020	2019
Operating revenues:		
License income	\$ 7,177	6,742
Grants and contracts – federal	23,470	19,442
Grants and contracts – state and local	179	319
Other operating revenues	2,579	2,330
Total operating revenues	33,405	28,833
Operating expenses:		
Direct operating expenses:		
Compensation and benefits	13,447	11,951
Supplies and services	16,855	18,429
Depreciation	338	332
Total direct operating expenses	30,640	30,712
Distributions to campuses and inventors:		
Inventors	1,892	1,915
University colleges	936	932
University campuses	3,524	3,853
External sponsors	126	194
Total distributions to campuses and inventors	6,478	6,894
Total operating expenses	37,118	37,606
Operating loss	(3,713)	(8,773)
Nonoperating revenues (expenses):		
Gifts	—	500
Investment income	13	11
Transfers from University sources	7,666	7,758
Transfers to University sources	(222)	—
Other nonoperating revenue	3	5
Nonoperating revenues, net	7,460	8,274
Increase (decrease) in net position	3,747	(499)
Net position:		
Beginning of year	1,745	2,244
End of year	\$ 5,492	1,745

See accompanying notes to combined financial statements.

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Combined Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	2020	2019
Cash flows from operating activities:		
Gifts, grants, and contracts received	\$ 21,927	18,600
License, patent, and research cash received	6,985	6,631
Other operating receipts	2,672	2,327
Payments to vendors	(20,588)	(18,802)
Payments to employees	(12,336)	(11,771)
Payments to campuses	(4,339)	(4,785)
Net cash flows (used in) operating activities	(5,679)	(7,800)
Cash flows from capital and related financing activities:		
Transfer of assets from other University sources	7,666	7,758
Capital gifts	—	500
Purchase of capital assets	(65)	—
Net cash flows provided by capital and related financing activities	7,601	8,258
Cash flows from investing activities:		
Investment income	13	11
Net cash flows provided by investing activities	13	11
Net change in cash and cash equivalents	1,935	469
Cash and cash equivalents – beginning of year	6,089	5,620
Cash and cash equivalents – end of year	\$ 8,024	6,089
Reconciliation of operating loss to net cash flows (used in) operating activities:		
Operating loss	\$ (3,713)	(8,773)
Adjustments to reconcile operating loss to net cash flows (used in) operating activities:		
Depreciation	338	332
Changes in assets and liabilities:		
Accounts receivable, net and due from related parties	(1,795)	(1,248)
Prepaid expenses and deferred charges	(59)	(40)
Accrued compensated absences	150	121
Accounts payable, royalties, and due to related parties	(92)	1,300
Deferred revenue	(508)	508
Net cash flows (used in) operating activities	\$ (5,679)	(7,800)
Noncash transactions:		
Accrued compensated absences liability transfer from University	222	—

See accompanying notes to combined financial statements.

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(In thousands)

(1) Summary of Significant Accounting Policies

(a) Organization

The University Technology Development Corporation (UTDC) is a public benefit corporation organized exclusively for charitable purposes within the scope of Section 501(c)(3) of the Internal Revenue Code (the Code). The purpose of UTDC is to promote, encourage, and assist research and scholarly activities of the faculty, staff, alumni, and students of the University of Nebraska (the University). UTDC is governed by a board of directors appointed by the President of the University. While UTDC is a legally separate entity, it is a blended component unit of the University. The major accounting principles and practices followed by UTDC are presented below to assist the reader in evaluating the combined financial statements and the accompanying notes.

The combined financial statements are the responsibility of the UTDC board of directors and have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The statements include the activities of UTDC and its subsidiaries. All intercompany transactions have been eliminated in combination.

(b) Reporting Entity

The reporting entity consists of UTDC and the following eight nonprofit subsidiaries and one for-profit subsidiary. In each case, UTDC is the sole member/stockholder. The primary purpose of the subsidiaries is to support the research mission of the University and its campuses and advance academic technology transfer globally through fostering strategic collaborations with industry through licensing, research, and new venture agreements.

- NUtech Ventures (NUtech) is a technology transfer organization primarily serving the University of Nebraska–Lincoln (UNL) campus. The management of the affairs of the corporation is vested in a board of directors appointed by the Chancellor of UNL.
- NE Enterprises, Inc. (NEI, formerly UNeMed), a for-profit entity, oversees and develops growing business development opportunities internationally and domestically. UTDC, by proxy, has designated the Chancellor of University of Nebraska Medical Center (UNMC) to act as its stockholder.
- UNeMed Corporation (UNeMed, formerly UNMC Tech) is a technology transfer organization primarily serving the UNMC campus.
- Med Center Development Corporation (MCDC) provides support and assistance for the development of properties owned by the University and enhancement of the midtown Omaha area near the UNMC campus.
- Nebraska Innovation Campus Development Corporation (NICDC) facilitates the development of the former State Fair Park into a research park campus to promote, encourage, and assist the University in achieving its mission of education, research, and service to the State of Nebraska and its people.

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- Nebraska Applied Research Institute (NARI) was organized to conduct applied research in the cybersecurity of control systems for the government, utilities, and corporations and, in doing so, create opportunities for University of Nebraska students and faculty. Due to University budget constraints caused by the COVID-19 pandemic, NARI will conclude its operations in FY21.
- National Strategic Research Institute (NSRI) was organized as a University Affiliated Research Center (UARC) to conduct research and development in areas consistent with the educational, scientific, charitable, and service goals of the University of Nebraska and the core capabilities identified with a federally sponsored UARC.
- Biomedical Technology Transfer Corporation (BIOTT) was organized as the business arm of UNeTech, a translational research institute and startup incubator for the University of Nebraska Medical Center and the University of Nebraska-Omaha. BIOTT receives donations to invest in startup companies participating in the UNeTech incubator.
- University Village Development Corporation of Kearney (UVDCK), a non-profit organization, provides support and oversight for the development of land near the University of Nebraska-Kearney (UNK) campus for residential, commercial, and recreational use to benefit the University, local community, region and State of Nebraska.

All subsidiaries are considered blended component units under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and have been presented in a single column within these combined financial statements.

(c) Basis of Presentation

The combined financial statements of UTDC have been prepared using the economic resources measurement focus and the accrual basis of accounting. These statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by GASB.

(d) Classification of Revenues and Expenses

The UTDC has classified its revenues and expenses as either operating or nonoperating revenues and expenses according to the following criteria:

- Operating Revenues and Expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions.
- Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, contributions transferred from the University, investment income, and other revenue sources.
- Nonoperating Expenses – Nonoperating expenses are nonexchange activities of nonoperating nature.
- Distributions to campuses and inventors – Distributions to campuses and inventors include the distribution of royalties to campuses and inventors as defined in royalty sharing agreements.

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(e) Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, savings accounts, and money market accounts.

(f) Accounts Receivable, Net

Accounts receivable represent amounts resulting from business activities and are routinely cleared in the normal course of doing business. Accounts receivable are \$7,043 and \$5,450 at June 30, 2020 and 2019, respectively.

(g) Capital Assets

Capital assets are stated at cost at the date of acquisition or at fair value if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are 25 to 40 years for leasehold improvements and 20 to 30 years for land improvements. Equipment is generally depreciated from 2 to 10 years depending on its useful life. Leasehold improvements are depreciated over the aforementioned estimated useful lives or the term of the related lease, whichever is shorter.

(h) License Income

License income is recognized when earned on the accrual basis in accordance with the substance of the respective agreements and when the underlying right to receive payment has been established.

(i) Grants and Contracts

Grants and contracts revenues are recognized as earned on an accrual basis as projects are completed and the results delivered to external sponsors.

(j) Research Income

Research revenue is recognized when earned on an accrual basis as services are provided to clients and reflected primarily as grants and contracts in the combined statements of revenues, expenses, and changes in net position.

(k) Deferred Revenue

Deferred revenue consist of unearned payments of license fees or advanced funding for future research.

(l) Income Distributions

Income distributions to inventors, departments, deans and directors, and research offices are determined based on established policy and agreements among NUtech, UNeMed Corporation, and NEI, with their respective campuses. Distributions to campuses and inventors represent payments to the University, inventors, and research scientists for the use of or marketing of patented inventions or discoveries. UTDC and subsidiaries undertake the identification and negotiation of nondisclosure agreements and technology licenses for technology developed by University faculty. Agreements for

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the marketing of technology include provisions for the distribution of revenues to the University campuses and faculty inventors.

(m) Tax Status

UTDC and its subsidiaries, except for NEI, qualify as nonprofit organizations under Section 501(c)(3) of the Code. Accordingly, no provision for federal or state income taxes is required on the related income pursuant to Section 501(a) of the Code.

NEI is a for-profit subsidiary of UTDC and is required to pay federal and state income taxes according to the Code and Nebraska State Statutes. NEI does not have an income tax liability as it has taxable losses or any infrequent taxable income is offset by net operating loss carryovers.

NEI has deferred tax assets, related to investments in startup companies. Management has determined that it is more likely than not that NEI will not be able to utilize these deferred tax assets during the carryover periods, and therefore, a valuation allowance has been recorded for all deferred tax assets.

(n) Net Position

Net position comprises two parts. One is net investment in capital assets and comprises leasehold improvements and equipment, net of depreciation. The second part comprises the net amount of assets and liabilities that are not included in the determination of net investment in capital assets.

(o) Estimates

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Reclassifications

Certain balances from 2019 financial statements have been reclassified to the current year presentation.

(2) Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, UTDC's deposits may not be returned to it. UTDC does not have a formal custodial credit risk policy. Bank balances of cash and cash equivalents amounted to approximately \$8,184 and \$6,789 at June 30, 2020 and 2019, with approximately \$1,947 and \$1,532 covered by federal depository insurance, respectively. Of the remaining bank balance at June 30, 2020 and 2019, approximately \$550 and \$138 were collateralized with securities held by the pledging financial institution, but not in the University's name, and \$5,687 and \$4,869 were uninsured and uncollateralized, respectively.

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(3) Capital Assets

Capital asset activity for the year ended June 30, 2020 is as follows:

	Beginning balance	Additions	Disposals	Ending balance
Leasehold improvements	\$ 1,267	65	—	1,332
Equipment	339	—	—	339
Total	<u>1,606</u>	<u>65</u>	<u>—</u>	<u>1,671</u>
Less accumulated depreciation for:				
Leasehold improvements	657	287	—	944
Equipment	91	51	—	142
Total	<u>748</u>	<u>338</u>	<u>—</u>	<u>1,086</u>
Capital assets, net	<u>\$ 858</u>	<u>(273)</u>	<u>—</u>	<u>585</u>

Capital asset activity for the year ended June 30, 2019 is as follows:

	Beginning balance	Additions	Disposals	Ending balance
Leasehold improvements	\$ 1,267	—	—	1,267
Equipment	384	—	45	339
Total	<u>1,651</u>	<u>—</u>	<u>45</u>	<u>1,606</u>
Less accumulated depreciation for:				
Leasehold improvements	376	281	—	657
Equipment	85	51	45	91
Total	<u>461</u>	<u>332</u>	<u>45</u>	<u>748</u>
Capital assets, net	<u>\$ 1,190</u>	<u>(332)</u>	<u>—</u>	<u>858</u>

**UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION
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Notes to Combined Financial Statements

June 30, 2020 and 2019

(In thousands)

(4) Leases

UTDC leases certain facilities under operating lease agreements. Rent expense under the operating leases was \$508 and \$477 in fiscal years 2020 and 2019, respectively. Minimum lease payments under operating leases for the year ending June 30, 2020 are:

2021	\$	519
2022		337
2023		320
2024		295
2025		230
2026–2030		811
2031–2034		709
		709
	\$	3,221

(5) Related-Party Transactions

NUtech, UNeMed, NICDC, and NSRI have established operating agreements with University of Nebraska–Lincoln (UNL) and University of Nebraska Medical Center (UNMC) relating to reimbursement of overhead costs incurred. The transfers from University sources are shown as other nonoperating revenues in the combined statements of revenues, expenses, and changes in net position. Amounts reimbursed during the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Reimbursement to NARI from University sources	\$ 500	1,500
Reimbursement to NUtech from University sources	1,242	1,477
Reimbursement to NICDC from University sources	250	—
Reimbursement to NEI from University sources	1,147	861
Reimbursement to MCDC from University sources	192	234
Reimbursement to UNeMed from University sources	1,760	1,700
Reimbursement to NSRI from other University sources	2,475	1,986
Reimbursement to UTDC from other University sources	100	—
	\$ 7,666	7,758

The outstanding receivables from and payables to related parties at June 30, 2020 and 2019 are the result of the agreements described herein, are current in nature, and are routinely cleared as a matter of business with the related parties. In fiscal year 2020, the University transferred an accrued compensated absences liability to NSRI.

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(In thousands)

(6) Retirement Plan

NUtech, UNeMed, NARI, and NICDC employees also receive retirement benefits according to the University's retirement plan. The defined-contribution plan covers all academic faculty, administrative, and classified staff and provides investment options administered by Teachers Insurance and Annuity Association/College Retirement Equity Fund and Fidelity Investments. Under the plan, faculty and staff are required to contribute 3.5% or 5.5% if they participate in either Tier 1 or Tier 2 of the plan, respectively. The University matches faculty and staff participation by contributing 8.0% and 6.5% for Tier 1 and Tier 2, respectively. The policy is to fund costs accrued on an annual basis. Contributions for the years ended June 30, 2020 and 2019 were \$263 and \$228, respectively. NSRI does not have a retirement matching plan, but employees may designate a certain amount to be withheld from their pay for deposit with Fidelity Investments.

(7) Accrued Compensated Absences

NUtech, UNeMed, NARI, and NICDC pay employees through the payroll system of the University. The University is reimbursed for the salary and benefits expenses of these four UTDC subsidiaries. The remaining subsidiary with employees, NSRI, processes payroll separately.

Accrued compensated absences for NSRI is as follows at June 30, 2020:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
2020	\$ 121	754	382	493	298

Benefits related to NSRI accrued compensated absences and all other UTDC entities' accrued compensated absences are recorded on the University's financial statements.

(8) Subsequent Events

In March 2020, the World Health Organization declared COVID-19 a pandemic. Although UTDC and its subsidiaries have remained fully operational, the extent to which COVID-19 could impact financial and operating results is dependent on the severity and the duration of the pandemic and other factors that management is not able to predict.

In September 2020, the University made the decision to end NARI operations effective December 31, 2020. Economic uncertainty and financial constraints of the COVID-19 pandemic caused the University to undergo budget cuts. As a result, funding previously available to support NARI was eliminated.

UTDC has evaluated subsequent events from the date of the Statement of Financial Position through December 10, 2020, the date at which the financial statements were available to be issued. No additional items were identified that would require disclosure.