

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Independent Auditor's Report
and Financial Statements

June 30, 2022 and 2021

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

June 30, 2022 and 2021

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1248 O Street, Suite 1040 / Lincoln, NE 68508

P 402.473.7600 / F 402.473.7698

forvis.com

Independent Auditor's Report

Board of Regents
University of Nebraska
Lincoln, Nebraska

Opinion

We have audited the financial statements of the University Technology Development Corporation (UTDC), a component unit of the University of Nebraska, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise UTDC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the University Technology Development Corporation, as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of UTDC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2022, UTDC adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UTDC's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UTDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UTDC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

FORVIS, LLP

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Management’s Discussion and Analysis
June 30, 2022 and 2021
(In thousands)

Introduction

This discussion and analysis are designed to provide an overview of the financial position and activities of the University Technology Development Corporation (UTDC) for the years ended June 30, 2022 and 2021. This analysis has been prepared by management of UTDC and is intended to be read in conjunction with the 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 individual component units included in the financial statements are as follows:

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
Nebraska Defense Research Corporation (NDRC)	Promotes technology transfer activities that accelerate the development of next generation Nuclear Command, Control and Communications (NC3) capabilities in support of nuclear deterrence operations and national security objectives

In all of the entities under the UTDC umbrella, license income, grants and contracts, and research income 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 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 statement of net position of UTDC comprises 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		
	2022	2021	2020*
Assets:			
Current assets	\$ 19,753	\$ 18,556	\$ 16,440
Noncurrent assets	14,248	3,861	585
Total assets	<u>\$ 34,001</u>	<u>\$ 22,417</u>	<u>\$ 17,025</u>
Liabilities:			
Current liabilities	\$ 12,737	\$ 13,843	\$ 11,338
Noncurrent liabilities	5,715	3,641	195
Total liabilities	<u>\$ 18,452</u>	<u>\$ 17,484</u>	<u>\$ 11,533</u>
Deferred inflows of resources	<u>\$ 1,480</u>	<u>\$ -</u>	<u>\$ -</u>
Net position:			
Net investment in capital assets	\$ 6,203	\$ 15	\$ 585
Restricted	23	-	-
Unrestricted	<u>7,843</u>	<u>4,918</u>	<u>4,907</u>
Total net position	<u>\$ 14,069</u>	<u>\$ 4,933</u>	<u>\$ 5,492</u>

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

	June 30		
	2022	2021	2020*
License income	\$ 7,143	\$ 7,024	\$ 7,177
Grants and contracts	27,598	18,281	23,649
Other income	<u>1,208</u>	<u>1,187</u>	<u>2,579</u>
Total operating revenues	<u>35,949</u>	<u>26,492</u>	<u>33,405</u>
Compensation and benefits	12,220	12,353	13,447
Supplies and services	16,788	14,908	16,855
Depreciation and amortization	<u>660</u>	<u>810</u>	<u>338</u>
Total direct operating expenses	<u>29,668</u>	<u>28,071</u>	<u>30,640</u>
Distribution to campuses and inventors	(5,825)	(5,892)	(6,478)
Nonoperating revenues, net	<u>8,680</u>	<u>6,912</u>	<u>7,460</u>
Increase (decrease) in net position	9,136	(559)	3,747
Net position, beginning of year	<u>4,933</u>	<u>5,492</u>	<u>1,745</u>
Net position, end of year	<u>\$ 14,069</u>	<u>\$ 4,933</u>	<u>\$ 5,492</u>

*Amounts reported above for fiscal year 2020 have not been restated due to the implementation of GASB 87, *Leases*.

Financial and Operating Highlights – 2022

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

Operating revenues were approximately \$36 million in FY22, compared to \$26 million in FY21, an increase of about 38%. During 2020, operating revenues were \$33 million. The primary driver of the increase came from NDRC, whose revenues increased \$12 million in FY22 due to expansion of operations under three federal contracts. This was offset by a decrease of about \$3 million in federal grants and contracts revenue at NSRI.

Total operating expenses increased about 6% in FY22, from \$28,071 to \$29,668. This level compares to operating expenses of 30,640 in 2020. The 2022 increase resulted from about \$1.9 million more in supplies and services. Most of that increase is attributable to NDRC engaging in a full year of operations under new federal contracts.

The investment by the University in UTDC and its component units 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 financial statements.

	2022	2021	2020	Three-year total
Operating assets transferred from the University	<u>\$ 8,733</u>	<u>\$ 6,652</u>	<u>\$ 7,666</u>	<u>\$ 23,051</u>
Activity generated (operating expenses):				
Compensation and benefits	\$ 12,220	\$ 12,353	\$ 13,447	\$ 38,020
Research and other activities	16,778	14,908	16,855	48,541
Royalties	2,301	2,249	2,018	6,568
Distributions to campuses	<u>3,524</u>	<u>3,643</u>	<u>4,460</u>	<u>11,627</u>
Total activity generated	<u>\$ 34,823</u>	<u>\$ 33,153</u>	<u>\$ 36,780</u>	<u>\$ 104,756</u>

Over a three-year period, the University has invested approximately \$23 million in the UTDC component units. In return, these entities have leveraged this investment and University technologies to generate approximately \$105 million in economic activity: approximately \$38 million in benefit-paying jobs; \$48 million to campus research activities; \$7 million in royalties; and \$12 million in distributions back to deans, directors, and campuses.

Financial and Operating Highlights – 2021

Operating revenues were approximately \$26 million in FY21, compared to \$33 million in FY20, a decrease of about 20%. During 2019, operating revenues were \$29 million. Overall financial activity decreased in FY21, primarily due to the effects of COVID-19, as this reduced the capacity to facilitate new license income and engage in research and development activity.

Total operating expenses were reduced about 8% in FY21, from \$30,640 to \$28,071. This level compares to operating expenses of 30,712 in 2019. The 2021 decrease resulted from about \$1.1 million of decrease in compensation and benefits as well as a \$1.5 million decrease in supplies and services. As with revenues, decreased levels of activity due to COVID-19 restraints caused these reductions in operating expenses.

Economic Outlook and Subsequent Events that Will Affect the Future

The component units 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.

- For the federal fiscal year ending September 30, 2022, NSRI was awarded 14 contracts at a total value of about \$6 million. NSRI continues to support the U.S. Strategic Command and other federal sponsors under its University Affiliated Research Center (UARC) mission to perform critical research and development activities for national security.
- NUtech Ventures continues to focus on patenting, marketing, and licensing of UNL and UNK technologies for transfer from the lab to the marketplace, including continued emphasis and expansion of resources to support campus inventor-entrepreneur founders for commercialization of technology via startup companies.
- NICDC opened The Scarlet Hotel and is working on implementing the Economic Development Administration's Build Back Better Grant to the Heartland Robotics Cluster Coalition.
- UNeMed continues to foster innovation, advance research and engage entrepreneurs and industry to commercialize novel technologies that make the world a better place.
- NEI continues to facilitate business development opportunities and is developing a new service to help support faculty and staff that consult with industry.
- BIOTT is starting to establish business processes and build relationships to serve as the financial support to accelerate University-supported startup opportunities.
- UVDC is currently contracted with private partners for residential and commercial development including the Element 30 housing project and the Regional Engagement Center. In addition, UVDC has also contracted with the City of Kearney for the Ernest Grundy Tennis Center.
- NDRC continues to expand capabilities and concept demonstration efforts to support their Nuclear Command, Control and Communications Enterprise Center (NEC) sponsor. NDRC was awarded an \$11.4 million contract to build a 19,000 square foot facility in Bellevue that will support classified market research and demonstration efforts with mission partners.

University Technology Development Corporation
(A Component Unit of the University of Nebraska)

Statements of Net Position

June 30, 2022 and 2021

(In thousands)

	2022	2021 (Restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 11,284	\$ 11,311
Cash and cash equivalents - restricted	23	-
Accounts receivable, net	6,903	6,170
Due from related parties	702	932
Lease receivable	18	-
Prepaid expenses	823	143
Total current assets	19,753	18,556
Noncurrent assets		
Capital assets, net of accumulated depreciation	6,912	117
Lease receivable, net of current portion	1,456	-
Right-to-use leased assets, net of accumulated amortization	5,880	3,744
Total noncurrent assets	14,248	3,861
Total assets	34,001	22,417
Liabilities and Deferred Inflows of Resources		
Current liabilities		
Accounts payable	1,690	1,066
Accrued compensated absences	493	432
Royalties	628	654
Due to related parties	9,446	11,281
Unearned revenue	23	2
Lease liability	457	408
Total current liabilities	12,737	13,843
Noncurrent liabilities		
Accrued compensated absences, net of current portion	142	209
Lease liability, net of current portion	5,573	3,432
Total noncurrent liabilities	5,715	3,641
Total liabilities	18,452	17,484
Deferred inflows of resources		
Deferred lease arrangements	1,480	-
Total deferred inflows of resources	1,480	-
Net position		
Net investment in capital assets	6,203	15
Restricted for		
Expendable		
Externally restricted funds for infrastructure and maintenance	23	-
Unrestricted	7,843	4,918
Total net position	\$ 14,069	\$ 4,933

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021
(In thousands)

	2022	2021 (Restated)
Operating revenues		
License income	\$ 7,143	\$ 7,024
Grants and contracts - Federal	27,495	18,271
Grants and contracts - State and Local	103	10
Other operating revenues	1,208	1,187
Total operating revenues	<u>35,949</u>	<u>26,492</u>
Operating expenses		
Direct operating expenses		
Compensation and benefits	12,220	12,353
Supplies and services	16,788	14,908
Depreciation of capital assets	75	324
Amortization of right-to-use assets	585	486
Total direct operating expenses	<u>29,668</u>	<u>28,071</u>
Distributions to campuses and inventors		
Inventors	2,122	1,994
University colleges	1,072	973
University campuses	2,452	2,670
External sponsors	179	255
Total distributions to campuses and inventors	<u>5,825</u>	<u>5,892</u>
Total operating expenses	<u>35,493</u>	<u>33,963</u>
Operating income (loss)	<u>456</u>	<u>(7,471)</u>
Nonoperating revenues (expenses)		
Gifts	-	550
Investment income	9	4
Transfers from University sources	8,733	6,652
Transfers to University sources	(10)	(206)
Lease revenue and interest income on leases	25	-
Interest expense on right-to-use leased assets	(77)	(72)
Other nonoperating revenue	-	(16)
Nonoperating revenues, net	<u>8,680</u>	<u>6,912</u>
Increase (decrease) in net position	9,136	(559)
Net position		
Beginning of year	<u>4,933</u>	<u>5,492</u>
End of year	<u>\$ 14,069</u>	<u>\$ 4,933</u>

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(In thousands)

	2022	2021 (Restated)
Cash flows from operating activities		
Gifts, grants, and contracts received	\$ 26,717	\$ 19,362
License, patent, and research cash received	7,188	7,291
Other operating receipts	1,555	1,237
Payments to vendors	(21,626)	(14,096)
Payments to employees	(12,225)	(12,895)
Payments to campuses	(3,524)	(3,692)
	<u>(1,915)</u>	<u>(2,793)</u>
Net cash flows used in operating activities		
Cash flows from capital and related financing activities		
Capital gifts	-	550
Transfer of assets from other University sources	8,810	6,010
Purchase of capital assets	(6,320)	(28)
Interest paid on capital debt and leases	(73)	(66)
Principal paid on capital debt and leases	(531)	(390)
Proceeds from the issuance of capital debt	16	-
	<u>1,902</u>	<u>6,076</u>
Net cash flows provided by capital and related financing activities		
Cash flows from investing activities		
Investment income	9	4
	<u>9</u>	<u>4</u>
Net cash flows provided by investing activities		
Net change in cash and cash equivalents	(4)	3,287
Cash and cash equivalents – beginning of year	11,311	8,024
	<u>11,311</u>	<u>8,024</u>
Cash and cash equivalents – end of year	\$ 11,307	\$ 11,311
Cash and cash equivalents - end of year as presented in statements of net position		
Cash and cash equivalents	\$ 11,284	\$ 11,311
Cash and cash equivalents - restricted	23	-
Cash and cash equivalents, end of year	\$ 11,307	\$ 11,311

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(In thousands)

	<u>2022</u>	<u>2021</u> <u>(Restated)</u>
Reconciliation of operating income (loss) to net cash flows used in operating activities		
Operating income (loss)	\$ 456	\$ (7,471)
Adjustments to reconcile operating income (loss) to net cash flows used in operating activities:		
Depreciation of capital assets	75	324
Amortization of right-to-use assets	585	486
Changes in assets and liabilities:		
Accounts receivable, net and due from related parties	(487)	713
Prepaid expenses	(680)	48
Accrued compensated absences	(6)	81
Accounts payable, royalties, and due to related parties	(1,879)	3,024
Unearned revenue	21	2
Net cash flows used in operating activities	<u>\$ (1,915)</u>	<u>\$ (2,793)</u>
Noncash transactions		
Capital expenditures in accounts payable	\$ 550	\$ -
Accrued compensated absences liability transfer from University	-	59
Assumption of liability by the University of Nebraska	-	495
Gain on dissolution of subsidiary company	-	19
Lease obligation incurred for lease assets	2,721	-
Increase in lease receivables through deferred lease arrangements	1,474	-

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(In thousands)

Note 1: Summary of Significant Accounting Policies

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 financial statements and the accompanying notes.

The 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 component units. All intercompany transactions have been eliminated in combination.

Reporting Entity

The reporting entity consists of UTDC and the following nine nonprofit component units and one for-profit component unit. In each case, UTDC is the sole member/stockholder. The primary purpose of the component units 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.

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(In thousands)

Note 1: Summary of Significant Accounting Policies - Continued

Reporting Entity - Continued

- 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.
- 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 concluded 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.
- Nebraska Defense Research Corporation (NDRC) was organized to create a nuclear command, control and communication network, collectively known as NC3, to help modernize the digital communications network utilized by the United States Government.

All of these entities 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 financial statements.

Basis of Presentation

The 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.

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(In thousands)

Note 1: Summary of Significant Accounting Policies - Continued

Classification of Revenues and Expenses

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 a 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.

Cash and Cash Equivalents

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

Accounts Receivable, Net

Accounts receivable represent amounts resulting from business activities and are routinely cleared in the normal course of doing business. UTDC management has deemed an allowance for uncollectible accounts to be unnecessary as all amounts owed are deemed to be fully collectible.

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.

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.

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(In thousands)

Note 1: Summary of Significant Accounting Policies - Continued

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.

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 statements of revenues, expenses, and changes in net position.

Unearned Revenue

Unearned revenue consists of unearned payments of license fees or advanced funding for future research.

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 its component units undertake the identification and negotiation of nondisclosure agreements and technology licenses for technology developed by University faculty. Agreements for the marketing of technology include provisions for the distribution of revenues to the University campuses and faculty inventors.

Tax Status

UTDC and its component units, 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 component units of UTDC and is required to pay federal and state income taxes according to the Code and Nebraska State Statutes. NEI does not have a significant income tax liability as the majority of the liability was covered by a pre-tax reform net operating loss carryover.

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.

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(In thousands)

Note 1: Summary of Significant Accounting Policies - Continued

Deferred Inflows of Resources

UTDC reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statements of net position.

Compensated Absences

NSRI and NDRC permit employees to accumulate vacation leave that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the statements of net position date plus an additional amount for compensation-related payments using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the statements of net position date is included in other long-term liabilities.

Net Position

Net position consists of three parts. One is net investment in capital assets, which comprises right-of-use leased assets, net of accumulated amortization, and leasehold improvements and equipment, and net of depreciation. Second, UTDC holds externally restricted funds for infrastructure and maintenance. The remaining portion includes the net amount of assets and liabilities that are not included in the determination of net investment in capital assets and restricted net position.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

Effective for the fiscal year ended June 30, 2022, UTDC adopted GASB Statement No. 87, *Leases*, (“GASB 87”). This statement supersedes GASB Statement No. 62 and establishes new requirements for calculating and reporting UTDC’s lease activities. The adoption date of GASB 87 is reflected as of July 1, 2020, resulting in an increase in right-to-use assets of \$4,230 and increase in leases payable of \$4,230. These balances were calculated using the facts and circumstances that existed at July 1, 2020, as prescribed by GASB 87. There was no impact to beginning net position at July 1, 2020.

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Notes to Financial Statements

June 30, 2022 and 2021

(In thousands)

Note 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. At June 30, 2022 and 2021, approximately \$7,935 and \$8,758, respectively, of UTDC's bank balances were uninsured and uncollateralized.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Leasehold Improvements	\$ 1,332	\$ -	\$ -	\$ 1,332
Equipment	28	460	-	488
Work in Progress	-	6,410	-	6,410
Total	<u>1,360</u>	<u>6,870</u>	<u>-</u>	<u>8,230</u>
Less accumulated depreciation for				
Leasehold Improvements	1,238	60	-	1,298
Equipment	5	15	-	20
Total	<u>1,243</u>	<u>75</u>	<u>-</u>	<u>1,318</u>
Capital assets, net	<u>\$ 117</u>	<u>\$ 6,795</u>	<u>\$ -</u>	<u>\$ 6,912</u>

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Leasehold Improvements	\$ 1,332	\$ -	\$ -	\$ 1,332
Equipment	339	28	339	28
Total	<u>1,671</u>	<u>28</u>	<u>339</u>	<u>1,360</u>
Less accumulated depreciation for				
Leasehold Improvements	944	294	-	1,238
Equipment	142	30	167	5
Total	<u>1,086</u>	<u>324</u>	<u>167</u>	<u>1,243</u>
Capital assets, net	<u>\$ 585</u>	<u>\$ (296)</u>	<u>\$ 172</u>	<u>\$ 117</u>

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(In thousands)

Note 4: Leases

Lessee

UTDC leases office space from external parties. In accordance with GASB Statement No. 87, UTDC records right-to-use assets and lease liabilities based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the University of Nebraska's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. UTDC does not have any leases subject to a residual value guarantee. The right-to-use assets are amortized over the shorter of the lease term or the underlying asset useful life.

Right-to-use leased asset activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Buildings	\$ 4,230	\$ 2,721	\$ -	\$ 6,951
Total	<u>4,230</u>	<u>2,721</u>	<u>-</u>	<u>6,951</u>
Less accumulated amortization for:				
Buildings	486	585	-	1,071
Total	<u>486</u>	<u>585</u>	<u>-</u>	<u>1,071</u>
Right-to-use assets, net	<u>\$ 3,744</u>	<u>\$ 2,136</u>	<u>\$ -</u>	<u>\$ 5,880</u>

Right-to-use leased asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance (Restated)	Additions	Disposals	Ending Balance
Buildings	\$ 4,230	\$ -	\$ -	\$ 4,230
Total	<u>4,230</u>	<u>-</u>	<u>-</u>	<u>4,230</u>
Less accumulated amortization for:				
Buildings	-	486	-	486
Total	<u>-</u>	<u>486</u>	<u>-</u>	<u>486</u>
Right-to-use assets, net	<u>\$ 4,230</u>	<u>\$ (486)</u>	<u>\$ -</u>	<u>\$ 3,744</u>

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(In thousands)

Note 4: Leases - Continued

Lessee - Continued

Lease liability activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Lease Liability	\$ 3,840	\$ 2,721	\$ 531	\$ 6,030	\$ 457

Lease liability activity for the year ended June 30, 2021 is as follows:

	Beginning Balance (Restated)	Additions	Deductions	Ending Balance	Current Portion
Lease Liability	\$ 4,230	\$ -	\$ 390	\$ 3,840	\$ 408

As of June 30, 2022, the scheduled fiscal year maturities of lease liabilities and related interest expense are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2023	\$ (26)	\$ 108
2024	934	99
2025	947	84
2026	984	68
2027	866	52
2028-2032	1,954	104
2033-2037	371	8
	\$ 6,030	\$ 523

During 2023, UTDC is contracted to receive a payment for approximately \$920,000 representing reimbursement for leasehold improvements made to the leased property. This payment is included in the calculation of the lease liability presented on the statements of net position in accordance with GASB 87 and is shown as an offset to the lease payments to be made by UTDC during 2023 in the maturity table above.

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(In thousands)

Note 4: Leases - Continued

Lessor

UTDC leases land to external parties. In accordance with GASB Statement No. 87, UTDC records lease receivables and deferred inflows of resources based on the present value of remaining lease payments expected to be received during the lease term plus any payments received at or before the commencement of the lease term that relate to future periods. The expected receipts are discounted using the interest rate charged on the lease, if known, or the University of Nebraska's incremental borrowing rate. Variable receipts are excluded from the valuations unless they are fixed in substance. Future recognition of the deferred inflow of resources as revenue is performed in a systematic and rational manner over the term of the lease.

Note 5: Related-Party Transactions

NUtech, UNeMed, NICDC, and NSRI have established operating agreements with UNL and UNMC relating to reimbursement of overhead costs incurred. The transfers from University sources are shown as other nonoperating revenues in the statements of revenues, expenses, and changes in net position. Amounts reimbursed during the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Reimbursement to NARI from University Sources	\$ -	\$ 495
Reimbursement to NDRC from University Sources	2,000	-
Reimbursement to UVDCK from University Sources	186	-
Reimbursement to NUtech from University Sources	1,277	1,129
Reimbursement to NICDC from University Sources	450	370
Reimbursement to NEI from University Sources	900	960
Reimbursement to MCDC from University Sources	10	74
Reimbursement to UNeMed from UNMC	1,760	1,760
Reimbursement to NSRI from University Sources	1,900	1,864
Reimbursement to UTDC from University Sources	<u>250</u>	<u>-</u>
	<u>\$ 8,733</u>	<u>\$ 6,652</u>

The outstanding receivables from and payables to related parties at June 30, 2022 and 2021 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 years 2021, the University transferred an accrued compensated absences liability to NSRI. This amount was previously recorded on the University's financial statements on behalf of NSRI in fiscal year 2019. As of June 30, 2021, no further liability exists on the University's financial statements related to the accrued compensated absences of NSRI.

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Note 6: Retirement Plan

NUtech, UNeMed, NICDC, and UVDC 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 (TIAA/CREF) 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 6.5% and 8.0% for Tier 1 and Tier 2, respectively. The policy is to fund costs accrued on an annual basis.

NDRC adopted a Paychex Pooled Employer Plan during fiscal year 2022. Under the plan, employee contributions are matched 100% by NDRC up to 3% of employee compensation. Employee contributions that exceed 3% but do not exceed 4% are matched 50% by NDRC. Any contributions exceeding 4% of compensation are not matched by NDRC.

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.

Contributions made by employees for the years ended June 30, 2022 and 2021 were \$589 and \$536, respectively. Contributions made by the component units for the years ended June 30, 2022 and 2021 were \$236 and \$192, respectively.

Note 7: Accrued Compensated Absences

NUtech, UNeMed, NICDC, and UVDC pay employees through the payroll system of the University. The University is reimbursed for the salary and benefits expenses of these four UTDC component units. The remaining component units with employees, NSRI and NDRC, process payroll separately.

Accrued compensated absences for NSRI and NDRC are as follows at June 30:

	Beginning Balance	Additions	Disposals	Ending Balance	Current Portion
2022	\$ 641	\$ 495	\$ 501	\$ 635	\$ 493
2021	\$ 493	\$ 554	\$ 406	\$ 641	\$ 432