FORVIS

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

June 30, 2023 and 2022

Contents

Independent Auditor's Report **1**

Management's Discussion and Analysis (Unaudited) **4**

Financial Statements

Statements of Net Position 8

Statements of Revenues, Expenses, and Changes in Net Position 9

Statements of Cash Flows 10

Notes to Financial Statements **12**

FORVIS

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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.

PRAXITY™ Empowering Business Globally

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

Lincoln, Nebraska
December 1, 2023

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Management's Discussion and Analysis
June 30, 2023 and 2022
(In thousands)

Introduction

This discussion and analysis is designed to provide an overview of the financial position and activities of the University Technology Development Corporation (UTDC) for the years ended June 30, 2023 and 2022. 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)	Tech transfer support and activities at the University of Nebraska Medical Center (UNMC)
NE Enterprises, Inc. (NEI)	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
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 is comprised 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 meets its obligations on an ongoing basis.

Condensed Statements of Net Position

	June 30		
	2023	2022 Revised - See Note 1	2021
Assets:			
Current assets	$ 43,170	$ 19,775	$ 18,556
Noncurrent assets	20,024	15,787	3,861
Total assets	$ 63,194	$ 35,562	$ 22,417
Liabilities:			
Current liabilities	$ 11,874	$ 12,871	$ 13,843
Noncurrent liabilities	5,470	5,840	3,641
Total liabilities	$ 17,344	$ 18,711	$ 17,484
Deferred inflows of resources	$ 10,922	$ 2,751	$ -
Net position:			
Net investment in capital assets	$ 8,428	$ 6,210	$ 15
Restricted	19,599	23	-
Unrestricted	6,901	7,867	4,918
Total net position	$ 34,928	$ 14,100	$ 4,933

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

	June 30		
	2023	2022 Revised - See Note 1	2021
License income	$ 6,242	$ 7,143	$ 7,024
Grants and contracts	52,415	27,598	18,281
Other income	1,237	1,213	1,187
Total operating revenues	59,894	35,954	26,492
Compensation and benefits	13,764	12,220	12,353
Supplies and services	26,738	16,691	14,908
Depreciation and amortization	2,264	749	810
Total direct operating expenses	42,766	29,660	28,071
Distribution to campuses and inventors	(5,498)	(5,825)	(5,892)
Nonoperating revenues, net	9,198	8,698	6,912
Increase (decrease) in net position	20,828	9,167	(559)
Net position, beginning of year	14,100	4,933	5,492
Net position, end of year	$ 34,928	$ 14,100	$ 4,933

Financial and Operating Highlights

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 $60 million in FY23, compared to $36 million in FY22, an increase of about 67%. During 2021, operating revenues were $26 million. The primary driver of the increase came from NDRC, who received a $20 million grant from the State of Nebraska Department of Economic Development in FY23. Federal grants and contracts revenue also increased by $5 million, while license income decreased approximately $1 million.

Total operating expenses increased approximately 44% in FY23, from $29,660 to $42,766. This level compares to operating expenses of 28,071 in 2021. The 2023 increase resulted from about $10 million more in supplies and services as well as approximately $1.2 million more in depreciation. Most of the supplies and services increase is attributable to an uptick in NDRC subaward expenses on federal projects, as the prior year contained approximately $6.4 million of federal contract work related to construction work-in-process on a leasehold improvement. Depreciation increased in FY23 due to NDRC purchasing over $3 million in capital assets.

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.

	2023	2022 Revised - See Note 1	2021	Three-year total
Operating assets transferred from the University	$ 7,459	$ 8,733	$ 6,652	$ 22,844
Activitiy generated (operating expenses):				
Compensation and benefits	$ 13,764	$ 12,220	$ 12,353	$ 38,337
Research and other activities	26,738	16,691	14,908	58,337
Royalties	2,257	2,301	2,249	6,807
Distributions to campuses	3,241	3,524	3,643	10,408
Total activity generated	$ 46,000	$ 34,736	$ 33,153	$ 113,889

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 $113 million in economic activity: approximately $38 million in benefit-paying jobs; $58 million to campus research activities; $7 million in royalties; and $10 million in distributions back to University colleges, University campuses and external sponsors.

Economic Outlook and Subsequent Events that Will Affect the Future

The component units of UTDC are primary 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, 2023, NSRI was awarded 18 contracts at a total value of about $45 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 for societal benefit and economic development. These activities include continued emphasis and expansion of resources to support campus inventor-entrepreneur founders for commercialization of technology via startup companies.

- NICDC continues to support a diverse and growing roster of over 65 companies located on Nebraska Innovation Campus through unique facilities, resources, amenities, programs and events. To execute the implementation of Nebraska Innovation Studio's portion of the Heartland Robotics Cluster, funded by the Economic Development Administration's Build Back Better Grant, four technical team members were hired and are creating and delivering curriculum and programs.

- 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 work with consultants to facilitate business development opportunities.

- UVDCK continues to focus on fulfilling the commercial, residential, and recreational visions of the University Village site. Through these ongoing efforts, the Element 30 housing project, Grundy Tennis Center, Regional Engagement Center, and Kearney Cancer Center have all been made possible and have added to the continued success of the development.

- NDRC completed construction and security accreditation of a 19,000 square foot facility in Bellevue that supports classified market research and demonstration efforts with members of the Research, Engineering, and Architecture Collaboration Hub Alliance. NDRC also earned 4 contracts from our Nuclear Command, Control, and Communications Enterprise Center sponsor valued at $16.7 million.

Nebraska Defense Research Corporation (NDRC) recognized revenue in the amount of $20 million during fiscal year 2023 for State of Nebraska grant funding intended for the purpose of creating a collaborative public-private partnership facility to assist with modernization efforts led by the NC3 Enterprise Center at U.S. Strategic Command. In November 2023, NDRC terminated all subcontracts related to this endeavor and engaged in discussions with the State of Nebraska indicating full intent to return all grant funds to the State. This will result in the recognition of a $20 million expense during 2024 representing the return of grant funds to the state.

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Statements of Net Position
June 30, 2023 and 2022
(In thousands)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 11,388	$ 11,284
Cash and cash equivalents - restricted	19,850	23
Accounts receivable, net	5,978	6,903
Due from related parties	750	702
Lease receivable	4,812	34
Prepaid expenses	392	829
Total current assets	43,170	19,775
Noncurrent assets		
Capital assets, net of accumulated depreciation	14,187	13,058
Lease receivable, net of current portion	5,837	2,729
Total noncurrent assets	20,024	15,787
Total assets	63,194	35,562
Liabilities and Deferred Inflows of Resources		
Current liabilities		
Accounts payable	3,140	1,707
Accrued compensated absences	494	493
Royalties	812	860
Due to related parties	6,811	9,199
Unearned revenue	23	23
Lease liability	498	457
Subscription liability	96	132
Total current liabilities	11,874	12,871
Noncurrent liabilities		
Accrued compensated absences, net of current portion	315	142
Lease liability, net of current portion	5,123	5,573
Subscription liability, net of current portion	32	125
Total noncurrent liabilities	5,470	5,840
Total liabilities	17,344	18,711
Deferred inflows of resources		
Deferred lease arrangements	10,922	2,751
Total deferred inflows of resources	10,922	2,751
Net position		
Net investment in capital assets	8,428	6,210
Restricted for		
Expendable		
Externally restricted funds for infrastructure and maintenance	19,599	23
Unrestricted	6,901	7,867
Total net position	$ 34,928	$ 14,100

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, 2023 and 2022
(In thousands)

	2023	2022
Operating revenues		
License income	$ 6,242	$ 7,143
Grants and contracts - Federal	32,415	27,495
Grants and contracts - State and Local	20,000	103
Other operating revenues	1,237	1,213
Total operating revenues	59,894	35,954
Operating expenses		
Direct operating expenses		
Compensation and benefits	13,764	12,220
Supplies and services	26,738	16,691
Depreciation of capital assets	1,244	75
Amortization of right-to-use assets	1,020	674
Total direct operating expenses	42,766	29,660
Distributions to campuses and inventors		
Inventors	2,015	2,122
University colleges	940	1,072
University campuses	2,301	2,452
External sponsors	242	179
Total distributions to campuses and inventors	5,498	5,825
Total operating expenses	48,264	35,485
Operating income	11,630	469
Nonoperating revenues (expenses)		
Gifts	1,916	-
Investment income	301	8
Transfers from University sources	7,459	8,733
Transfers to University sources	(338)	(10)
Lease revenue and interest income on leases	176	25
Interest expense on right-to-use leased assets	(101)	(58)
Other nonoperating revenue	(215)	-
Nonoperating revenues, net	9,198	8,698
Increase in net position	20,828	9,167
Net position		
Beginning of year	14,100	4,933
End of year	$ 34,928	$ 14,100

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(In thousands)

	2023	2022
Cash flows from operating activities		
Gifts, grants, and contracts received	$ 53,319	$ 26,717
License, patent, and research cash received	6,273	7,188
Other operating receipts	1,254	1,554
Payments to vendors	(29,437)	(21,527)
Payments to employees	(13,824)	(12,225)
Payments to campuses	(3,241)	(3,524)
Net cash flows provided by (used in) operating activities	14,344	(1,817)
Cash flows from capital and related financing activities		
Capital gifts	1,916	-
Transfer of assets from other University sources	7,204	8,810
Purchase of capital assets	(3,043)	(6,320)
Interest paid on capital debt and leases	(27)	(44)
Principal paid on capital debt and leases	(1,140)	(639)
Receipts from leasing arrangements	373	16
Other receipts	3	(19)
Net cash flows provided by capital and related financing activities	5,286	1,804
Cash flows from investing activities		
Investment income	301	9
Net cash flows provided by investing activities	301	9
Net change in cash and cash equivalents	19,931	(4)
Cash and cash equivalents – beginning of year	11,307	11,311
Cash and cash equivalents – end of year	$ 31,238	$ 11,307
Cash and cash equivalents - end of year as presented in statements of net position		
Cash and cash equivalents	$ 11,388	$ 11,284
Cash and cash equivalents - restricted	19,850	23
Cash and cash equivalents, end of year	$ 31,238	$ 11,307

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(In thousands)

	2023	2022
Reconciliation of operating income to net cash flows provided by (used in) operating activities		
Operating income	$ 11,630	$ 469
Adjustments to reconcile operating income to net cash flows provided by (used in) operating activities:		
Depreciation of capital assets	1,244	75
Amortization of right-to-use assets	1,020	674
Changes in assets and liabilities:		
Accounts receivable, net and due from related parties	924	(487)
Prepaid expenses	436	(686)
Accrued compensated absences	174	(6)
Accounts payable, royalties, and due to related parties	(1,084)	(1,877)
Unearned revenue	-	21
Net cash flows used in operating activities	$ 14,344	$ (1,817)
Noncash transactions		
Capital expenditures in accounts payable	$ -	$ 550
Lease obligation incurred for lease assets	227	2,726
Subscription obligation incurred for subscription assets	-	128
Increase in lease receivables through deferred lease arrangements	8,275	2,763

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Notes to Financial Statements
June 30, 2023 and 2022
(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 eight 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 by 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.

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.

- 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.

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.

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.

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-to-use leased and subscription assets, net of accumulated amortization, and leasehold improvements and equipment, net of depreciation. Second, UTDC holds externally restricted funds for infrastructure, maintenance and economic development. 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, 2023, UTDC adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (GASB 96). This statement establishes new requirements for calculating and reporting UTDC's subscription-based information technology arrangements. The adoption date of GASB 96 is reflected as of July 1, 2021, resulting in an increase in right-to-use assets of $225 and an increase in a subscription liability of $225. These balances were calculated using the facts and circumstances that existed at July 1, 2021, as prescribed by GASB 96. There was no impact to beginning net position at July 1, 2021.

Note 1: Summary of Significant Accounting Policies – Continued

Revision

UTDC has revised certain line items for 2022 for a lease agreement commencing during fiscal year 2022. The revision required UTDC to recognize a lease receivable and a corresponding deferred inflow for approximately $1.3 million. The revision also increased the change in net position and the ending net position for 2022 by approximately $24.

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, 2023 and 2022, approximately $8,368 and $7,935, respectively, of UTDC's bank balances were uninsured and uncollateralized.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Leasehold Improvements	$ 1,332	$ -	$ -	$ 6,354	$ 7,686
Equipment	488	3,100	282	-	3,306
Work in Progress	6,410	-	56	(6,354)	-
Right-to-use lease assets	6,951	579	380	-	7,150
Right-to-use subscription assets	353	-	-	-	353
Total	15,534	3,679	718	-	18,495
Less accumulated depreciation for:					
Leasehold Improvements	1,298	673	-	-	1,971
Equipment	20	571	66	-	525
Less accumulated amortization for:					-
Right-to-use lease assets	1,071	910	366	-	1,615
Right-to-use subscription assets	87	110	-	-	197
Total	2,476	2,264	432	-	4,308
Capital assets, net	$ 13,058	$ 1,415	$ 286	$ -	$ 14,187

Note 3: Capital Assets - Continued

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
Right-to-use lease assets	4,230	2,721	-	6,951
Right-to-use subscription assets	225	128	-	353
Total	5,815	9,719	-	15,534
Less accumulated depreciation for				
Leasehold Improvements	1,238	60	-	1,298
Equipment	5	15	-	20
Less accumulated amortization for:				
Right-to-use lease assets	486	585	-	1,071
Right-to-use subscription assets	-	87	-	87
Total	1,729	747	-	2,476
Capital assets, net	$ 4,086	$ 8,972	$ -	$ 13,058

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.

Note 4: Leases - Continued

Lessee - Continued

Lease liability activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Lease Liability	$ 6,030	$ 579	$ 988	$ 5,621	$ 498

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

As of June 30, 2023, the scheduled fiscal year maturities of lease liabilities and related interest expense are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2024	$ 34	$ 111
2025	1,034	99
2026	1,081	80
2027	971	61
2028	879	43
2029-2033	1,432	73
2034-2038	190	2
	$ 5,621	$ 469

During 2024, UTDC is contracted to receive a payment for approximately $920 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 2024 in the maturity table above.

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. Revenue recognized under the lease contracts referenced above totaled approximately $176 and $25 for the years ended June 30, 2023 and 2022, respectively, and includes both lease revenue and interest.

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, 2023 and 2022 are as follows:

	2023	2022
Reimbursement to NDRC from University Sources	$ -	$ 2,000
Reimbursement to UVDCK from University Sources	240	186
Reimbursement to NUtech from University Sources	1,790	1,277
Reimbursement to NICDC from University Sources	500	450
Reimbursement to NEI from University Sources	900	900
Reimbursement to MCDC from University Sources	119	10
Reimbursement to UNeMed from UNMC	1,760	1,760
Reimbursement to NSRI from University Sources	1,900	1,900
Reimbursement to UTDC from University Sources	250	250
	$ 7,459	$ 8,733

The outstanding receivables from and payables to related parties at June 30, 2023 and 2022 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.

Note 6: Retirement Plan

NUtech, UNeMed, NICDC, and UVDCK 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, 2023 and 2022 were $601 and $589, respectively. Contributions made by the component units for the years ended June 30, 2023 and 2022 were $263 and $236, respectively.

Note 7: Accrued Compensated Absences

NUtech, UNeMed, NICDC, and UVDCK 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
2023	$ 635	$ 594	$ 420	$ 809	$ 494
2022	$ 641	$ 495	$ 501	$ 635	$ 493

Note 8: Commitments and Contingencies

UTDC is a defendant in a number of lawsuits and claims in its normal course of operations. Management is currently of the opinion that the ultimate settlement of such lawsuits and claims will not have a materially adverse effect on the financial statements.

Note 9: Subsequent Events

Nebraska Defense Research Corporation (NDRC) recognized revenue in the amount of $20 million during fiscal year 2023 for State of Nebraska grant funding intended for the purpose of creating a collaborative public-private partnership facility to assist with modernization efforts led by the NC3 Enterprise Center at U.S. Strategi Command. In November 2023, NDRC terminated all subcontracts related to this endeavor and engaged in discussions with the State of Nebraska indicating full intent to return all grand funds to the State. This will result in the recognition of a $20 million expense during 2024 representing the return of grant funds to the state.