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UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

(A Component Unit of the University of Nebraska)

Combined Financial Statements

June 30, 2019 and 2018

(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 financial statements of the University Technology Development Corporation and subsidiaries (UTDC), a component unit of the University of Nebraska, which comprise the combined statements of net position, as of June 30, 2019 and 2018, 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.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial position of the University Technology Development Corporation and subsidiaries as of June 30, 2019 and 2018, and the changes in their financial position and their cash flows 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 basic 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 basic 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 basic combined financial statements, and other knowledge we obtained during our audit of the basic 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 6, 2019, 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 results of that testing, and not to provide an opinion on the effectiveness of 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 the UTDC's internal control over financial reporting and compliance.

KPMG LLP

Omaha, Nebraska
December 6, 2019

Introduction

This discussion and analysis is designed to provide an overview of the combined financial position and activities of University Technology Development Corporation (UTDC) and subsidiaries for the years ended June 30, 2019 and 2018. 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

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 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.

(In thousands)

The combined statement of net position of UTDC comprises primarily of payables and receivables. 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		
		2019	**2018**	**2017**
Assets:				
Current assets	$	12,653	10,891	8,316
Noncurrent assets		858	1,190	1,173
Total assets	$	13,511	12,081	9,489
Liabilities:				
Current liabilities	$	11,692	9,837	7,671
Noncurrent liabilities		74	—	—
Total liabilities	$	11,766	9,837	7,671
Net position:				
Net investment in capital assets	$	858	1,190	1,145
Unrestricted		887	1,054	673
Total net position	$	1,745	2,244	1,818

(In thousands)

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

		Years ended June 30		
		2019	2018	2017
License income	$	6,742	5,983	3,825
Grants and contracts		19,761	12,643	8,528
Other income		2,330	1,393	1,024
Total operating revenues		28,833	20,019	13,377
Compensation and benefits		11,951	9,624	7,077
Supplies and services		18,429	14,906	12,456
Depreciation		332	322	99
Total direct operating expenses		30,712	24,852	19,632
Distributions to campuses and inventors		(6,894)	(5,400)	(2,226)
Nonoperating revenues, net		8,274	10,659	9,505
Increase (decrease) in net position		(499)	426	1,024
Net position, beginning of year		2,244	1,818	794
Net position, end of year	$	1,745	2,244	1,818

Financial and Operating Highlights – 2019

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 $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.

(In thousands)

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.

		2019	2018	2017	Three-year total
Operating assets transferred from the University	$	7,758	9,787	8,540	26,085
Activity generated (operating expenses):					
Compensation and benefits	$	11,951	9,624	7,077	28,652
Research and other activities		18,429	14,906	12,456	45,791
Royalties		2,109	1,858	744	4,711
Distributions to campuses		4,785	3,542	1,482	9,809
Total activity generated	$	37,274	29,930	21,759	88,963

Over a three-year period, the University has invested approximately $26 million in the UTDC subsidiaries. In return, these entities have leveraged this investment and University technologies to generate approximately $89 million in economic activity: approximately $29 million in benefit-paying jobs; $46 million to campus research activities; $4.7 million in royalties; and $9.8 million in distributions back to deans, directors, and campuses.

Financial and Operating Highlights – 2018

Operating revenues were approximately $20 million in FY18, compared to $13.4 million in FY17, an increase of approximately 49.7%. Proceeds from products of a key license agreement gaining market share provided significant new income to NUtech Ventures in FY18. NICDC realized substantial increase in rent revenue and increased building occupancy levels.

Total operating expenses increased 26.6% when comparing 2018 to 2017 at $24,852 and $19,632, respectively. This was driven by an increase in compensation due to continued hiring of strategic resources by NSRI and NARI during 2018.

NARI received a $1 million gift to support general operating activities in 2018. Changes to other categories of revenues and expenses were minimal in both 2018 and 2017.

Economic Outlook and Subsequent Events that Will Affect the Future

The subsidiaries 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. NSRI continues to conduct research under its $92 million contract with U.S. Strategic Command as well as 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. MCDC has formed a task force to provide input on master planning efforts for the UNMC Campus and adjacent locations, studying current and future needs along with traffic planning, infrastructure planning and master design options. UNeMed continues to improve healthcare by fostering innovation, advancing biomedical research and engaging entrepreneurs and industry to commercialize novel technologies that are created at UNMC and UNO. NE Enterprises continues to facilitate domestic and international business development opportunities for UNMC and UNO.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES
(A Component Unit of the University of Nebraska)

Combined Statements of Net Position

June 30, 2019 and 2018

(In thousands)

		2019	2018
Assets:			
Current assets:			
Cash and cash equivalents	$	6,089	5,620
Accounts receivable, net		5,450	4,258
Due from related parties		982	921
Prepaid expenses and deferred charges		132	92
Total current assets		12,653	10,891
Noncurrent assets:			
Capital assets, net of accumulated depreciation		858	1,190
Total noncurrent assets		858	1,190
Total assets		13,511	12,081
Liabilities:			
Current liabilities:			
Accounts payable		1,138	1,147
Accrued compensated absences		47	—
Royalties		570	575
Due to related parties		9,429	8,115
Deferred revenue		508	—
Total current liabilities		11,692	9,837
Noncurrent liabilities:			
Accrued compensated absences, net of current portion		74	—
Total noncurrent liabilities		74	—
Total liabilities		11,766	9,837
Net position:			
Net investment in capital assets		858	1,190
Unrestricted		887	1,054
Total net position	$	1,745	2,244

See accompanying notes to combined financial statements.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

(A Component Unit of the University of Nebraska)

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

Years ended June 30, 2019 and 2018

(In thousands)

	2019	2018
Operating revenues:		
License income	$ 6,742	5,983
Grants and contracts	19,761	12,643
Other operating revenues	2,330	1,393
Total operating revenues	28,833	20,019
Operating expenses:		
Direct operating expenses:		
Compensation and benefits	11,951	9,624
Supplies and services	18,429	14,906
Depreciation	332	322
Total direct operating expenses	30,712	24,852
Distributions to campuses and inventors:		
University campuses	1,915	1,615
Inventors	932	505
University colleges	3,853	3,037
External sponsors	194	243
Total distributions to campuses and inventors	6,894	5,400
Total operating expenses	37,606	30,252
Operating loss	(8,773)	(10,233)
Nonoperating revenues (expenses):		
Gifts	500	1,000
Investment income (loss)	11	(127)
Transfers from University sources	7,758	9,787
Other nonoperating revenue (expense)	5	(1)
Nonoperating revenues, net	8,274	10,659
Increase (decrease) in net position	(499)	426
Net position:		
Beginning of year	2,244	1,818
End of year	$ 1,745	2,244

See accompanying notes to combined financial statements.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES
(A Component Unit of the University of Nebraska)

Combined Statements of Cash Flows

Years ended June 30, 2019 and 2018

(In thousands)

		2019	2018
Cash flows from operating activities:			
Gifts, grants, and contracts received	$	18,600	11,432
License, patent, and research cash received		6,631	7,005
Other operating receipts		2,327	581
Payments to vendors		(18,802)	(17,285)
Payments to employees		(11,771)	(9,289)
Payments to campuses		(4,785)	(1,098)
Net cash flows from operating activities		(7,800)	(8,654)
Cash flows from capital and related financing activities:			
Transfer of assets from other University sources		7,758	9,459
Capital gifts		500	1,000
Purchase of capital assets		—	(39)
Net cash flows from capital and related financing activities		8,258	10,420
Cash flows from investing activities:			
Purchases of investments		—	(144)
Investment income		11	15
Net cash flows from investing activities		11	(129)
Net change in cash and cash equivalents		469	1,637
Cash and cash equivalents – beginning of year		5,620	3,983
Cash and cash equivalents – end of year	$	6,089	5,620
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	$	(8,773)	(10,233)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation		332	322
Changes in assets and liabilities:			
Accounts receivable, net and due from related parties		(1,248)	(970)
Prepaid expenses and deferred charges		(40)	32
Accrued compensated absences		121	—
Accounts payable, royalties, and due to related parties		1,300	2,195
Deferred revenue		508	—
Net cash flows from operating activities	$	(7,800)	(8,654)
Noncash transactions:			
Capital assets transferred in from other University sources		—	328

See accompanying notes to combined financial statements.

(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 six 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.

- 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.
- 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.

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.

(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 recorded net of an allowance for doubtful accounts of $5,450 and $4,258 at June 30, 2019 and 2018, 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 contract revenue in the combined statements of revenues, expenses, and changes in net position.

(k) Deferred Revenues

Deferred revenues 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, NEI, and NARI 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 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.

(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 risk policy. Bank balances of cash and cash equivalents amounted to approximately $6,789 and $5,451 at June 30, 2019 and 2018, with approximately $1,782 and $1,447 covered by federal depository insurance, respectively. Of the remaining bank balance at June 30, 2019 and 2018, approximately $138 and $0 were collateralized with securities held by the pledging financial institution, but not in the University’s name, and $4,869 and $4,004 were uninsured and uncollateralized, respectively.

(Continued)

(In thousands)

(3) Capital Assets

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		1,651	—	45	1,606
Less accumulated depreciation for:					
Leasehold improvements		376	281	—	657
Equipment		85	51	45	91
Total		461	332	45	748
Capital assets, net	$	1,190	(332)	—	858

Capital asset activity for the year ended June 30, 2018 is as follows:

		Beginning balance	Additions	Disposals	Ending balance
Leasehold improvements	$	1,267	—	—	1,267
Equipment		45	339	—	384
Total		1,312	339	—	1,651
Less accumulated depreciation for:					
Leasehold improvements		94	282	—	376
Equipment		45	40	—	85
Total		139	322	—	461
Capital assets, net	$	1,173	17	—	1,190

(Continued)

(In thousands)

(4) Leases

UTDC leases certain facilities under operating lease agreements. Rent expense under the operating leases was $477 and $376 in fiscal years 2019 and 2018, respectively. Minimum lease payments under operating leases for the year ending June 30, 2019 are:

2020	$	522
2021		406
2022		221
2023		200
2024		172
2025–2029		795
2030–2034		878
	$	3,194

(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, 2019 and 2018 are as follows:

		2019	2018
Reimbursement to NARI from University sources	$	1,500	2,123
Reimbursement to NUtech from University sources		1,477	1,622
Reimbursement to NICDC from University sources		—	327
Reimbursement to NEI from University sources		861	1,814
Reimbursement to MCDC from University sources		234	420
Reimbursement to UNeMed from University sources		1,700	1,081
Reimbursement to NSRI from other University sources		1,986	2,400
	$	7,758	9,787

The outstanding receivables from and payables to related parties at June 30, 2019 and 2018 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 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, 2019 and 2018 were $228 and $242, 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 direct labor billed is as follows at June 30, 2019:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
2019	$ —	185	64	121	47

All remaining NSRI accrued compensated absences and all other UTDC entities' accrued compensated absences are recorded on the University's financial statements.