

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Independent Auditor's Report
and Financial Statements

June 30, 2021 and 2020

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

June 30, 2021 and 2020

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Independent Auditor's Report

Board of Regents
University of Nebraska

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

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the University Technology Development Corporation, as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Prior Year Audited by Other Auditors

The 2020 financial statements were audited by other auditors, and their report thereon, dated December 10, 2020, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

BKD, LLP

Lincoln, Nebraska
December 9, 2021

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Management’s Discussion and Analysis
June 30, 2021 and 2020
(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, 2021 and 2020. 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		
	2021	2020	2019
Assets:			
Current assets	\$ 18,556	\$ 16,440	\$ 12,653
Noncurrent assets	117	585	858
Total assets	<u>\$ 18,673</u>	<u>\$ 17,025</u>	<u>\$ 13,511</u>
Liabilities:			
Current liabilities	\$ 13,429	\$ 11,338	\$ 11,692
Noncurrent liabilities	209	195	74
Total liabilities	<u>\$ 13,638</u>	<u>\$ 11,533</u>	<u>\$ 11,766</u>
Net position:			
Net investment in capital assets	\$ 117	\$ 585	\$ 858
Unrestricted	4,918	4,907	887
Total net position	<u>\$ 5,035</u>	<u>\$ 5,492</u>	<u>\$ 1,745</u>

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

	June 30		
	2021	2020	2019
License income	\$ 7,024	\$ 7,177	\$ 6,742
Grants and contracts	18,281	23,649	19,761
Other income	1,187	2,579	2,330
Total operating revenues	<u>26,492</u>	<u>33,405</u>	<u>28,833</u>
Compensation and benefits	12,353	13,447	11,951
Supplies and services	15,364	16,855	18,429
Depreciation	324	338	332
Total direct operating expenses	<u>28,041</u>	<u>30,640</u>	<u>30,712</u>
Distribution to campuses and inventors	(5,892)	(6,478)	(6,894)
Nonoperating revenues, net	6,984	7,460	8,274
Increase (decrease) in net position	(457)	3,747	(499)
Net position, beginning of year	<u>5,492</u>	<u>1,745</u>	<u>2,244</u>
Net position, end of year	<u>\$ 5,035</u>	<u>\$ 5,492</u>	<u>\$ 1,745</u>

Financial and Operating Highlights – 2021

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 \$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 \$28,041. 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.

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.

	2021	2020	2019	Three-year total
Operating assets transferred from the University	\$ 6,652	\$ 7,666	\$ 7,758	\$ 22,076
Activity generated (operating expenses):				
Compensation and benefits	\$ 12,353	\$ 13,447	\$ 11,951	\$ 37,751
Research and other activities	15,364	16,855	18,429	50,648
Royalties	2,249	2,018	2,109	6,376
Distributions to campuses	3,643	4,460	4,785	12,888
Total activity generated	\$ 33,609	\$ 36,780	\$ 37,274	\$ 107,663

Over a three-year period, the University has invested approximately \$22 million in the UTDC component units. In return, these entities have leveraged this investment and University technologies to generate approximately \$108 million in economic activity: approximately \$38 million in benefit-paying jobs; \$51 million to campus research activities; \$6 million in royalties; and \$13 million in distributions back to deans, directors, and campuses.

Financial and Operating Highlights – 2020

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

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

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

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, 2021, NSRI was awarded 15 contracts at a total value of about \$25 million. Additionally, NSRI was awarded a \$25 million Indefinite Delivery Indefinite Quantity (IDIQ) contract with the National Nuclear Security Administration for strategic deterrence and nuclear threat reduction support. NSRI continues to support the U.S. Strategic Command and other federal sponsors under its University Affiliated Research Center mission in performing critical research 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 renewed emphasis and expansion of resources to support campus inventor-entrepreneur founders for commercialization of technology via startup companies.
- NICDC continues growth with a Marriott Tribute series hotel scheduled to open in early 2022. Other major projects are in the planning stage.
- MCDC has completed preliminary platting, an interlocal agreement with the City of Omaha to fund roads and infrastructure and awarded request for proposals for an Innovation Hub and Administrative Tower. Construction scheduled to commence in 2022.
- UNeMed continues to foster innovation, advance biomedical research and engage entrepreneurs and industry to commercialize novel technologies that make the world a better place.
- NEI works to facilitate domestic and international business development opportunities
- 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 complex and the Regional Engagement and Alumni Center. In addition, UVDC has also contracted with the City of Kearney for the Ernest Grundy Tennis Center.
- NDRC was awarded \$2.7 million in federal contracts to support the development of nuclear command, control and communications capabilities in its first fiscal year of operations. These contracts funded the initial stand-up of NDRC and establishment of a coalition of mission partners to demonstrate novel capabilities to U.S. Government sponsors. An additional \$16.4 million in early fiscal year 2022 was awarded to support the build-out of an interim facility for collaboration and demonstration of potential solutions in the nuclear command, control and communications domain.

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Statements of Net Position
June 30, 2021 and 2020
(In thousands)

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 11,311	\$ 8,024
Accounts receivable, net	6,170	7,043
Due from related parties	932	1,182
Prepaid expenses and deferred charges	143	191
Total current assets	18,556	16,440
Noncurrent Assets		
Capital assets, net of accumulated depreciation	117	585
Total noncurrent assets	117	585
Total assets	\$ 18,673	\$ 17,025

Liabilities

Current Liabilities		
Accounts payable	\$ 1,060	\$ 1,229
Accrued compensated absences	432	298
Royalties	654	539
Due to related parties	11,281	9,272
Unearned revenue	2	-
Total current liabilities	13,429	11,338
Noncurrent Liabilities		
Accrued compensated absences, net of current portion	209	195
Total noncurrent liabilities	209	195
Total liabilities	13,638	11,533

Net Position

Net investment in capital assets	117	585
Unrestricted	4,918	4,907
Total net position	5,035	5,492
Total liabilities and net position	\$ 18,673	\$ 17,025

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, 2021 and 2020
(In thousands)

	<u>2021</u>	<u>2020</u>
Operating Revenues		
License income	\$ 7,024	\$ 7,177
Grants and contracts - Federal	18,271	23,470
Grants and contracts - State and Local	10	179
Other operating revenues	<u>1,187</u>	<u>2,579</u>
Total operating revenues	<u>26,492</u>	<u>33,405</u>
Operating Expenses		
Direct operating expenses:		
Compensation and benefits	12,353	13,447
Supplies and services	15,364	16,855
Depreciation	<u>324</u>	<u>338</u>
Total direct operating expenses	<u>28,041</u>	<u>30,640</u>
Distributions to campuses and inventors:		
Inventors	1,994	1,892
University colleges	973	936
University campuses	2,670	3,524
External sponsors	<u>255</u>	<u>126</u>
Total distributions to campuses and inventors	<u>5,892</u>	<u>6,478</u>
Total operating expenses	<u>33,933</u>	<u>37,118</u>
Operating loss	<u>(7,441)</u>	<u>(3,713)</u>
Nonoperating Revenues (Expenses):		
Gifts	550	-
Investment income	4	13
Transfers from University sources	6,652	7,666
Transfers to University sources	(206)	(222)
Other nonoperating revenue (expense)	<u>(16)</u>	<u>3</u>
Nonoperating revenues, net	<u>6,984</u>	<u>7,460</u>
Increase (decrease) in net position	<u>(457)</u>	<u>3,747</u>
Net position:		
Beginning of year	<u>5,492</u>	<u>1,745</u>
End of year	<u>\$ 5,035</u>	<u>\$ 5,492</u>

University Technology Development Corporation
(A Component Unit of the University of Nebraska)
Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(In thousands)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Gifts, grants, and contracts received	\$ 19,362	\$ 21,927
License, patent, and research cash received	7,291	6,985
Other operating receipts	1,237	2,672
Payments to vendors	(14,552)	(20,588)
Payments to employees	(12,895)	(12,336)
Payments to campuses	<u>(3,692)</u>	<u>(4,339)</u>
Net cash flows used in operating activities	<u>(3,249)</u>	<u>(5,679)</u>
Cash Flows From Capital and Related Financing Activities		
Capital gifts	550	-
Transfer of assets from other University sources	6,010	7,666
Purchase of capital assets	<u>(28)</u>	<u>(65)</u>
Net cash flows provided by capital and related financing activities	<u>6,532</u>	<u>7,601</u>
Cash Flows From Investing Activities		
Investment income	<u>4</u>	<u>13</u>
Net cash flows provided by investing activities	<u>4</u>	<u>13</u>
Net change in cash and cash equivalents	3,287	1,935
Cash and Cash Equivalents - Beginning of Year	<u>8,024</u>	<u>6,089</u>
Cash and Cash Equivalents – End of Year	<u>\$ 11,311</u>	<u>\$ 8,024</u>
Reconciliation of Operating Loss to Net Cash Flows Used in Operating Activities		
Operating loss	\$ (7,441)	\$ (3,713)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation	324	338
Changes in assets and liabilities:		
Accounts receivable, net and due from related parties	711	(1,795)
Prepaid expenses and deferred charges	49	(59)
Accrued compensated absences	81	150
Accounts payable, royalties, and due to related parties	3,025	(92)
Unearned revenue	<u>2</u>	<u>(508)</u>
Net cash flows used in operating activities	<u>\$ (3,249)</u>	<u>\$ (5,679)</u>
Noncash Transactions		
Accrued compensated absences liability transfer from University	\$ 59	\$ 222
Assumption of liability by the University of Nebraska	495	-
Gain on dissolution of subsidiary company	19	-

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2021 and 2020

(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, 2021 and 2020

(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 will conclude its operations in FY21.
- National Strategic Research Institute (NSRI) was organized as a University Affiliated Research Center (UARC) to conduct research and development in areas consistent with the educational, scientific, charitable, and service goals of the University of Nebraska and the core capabilities identified with a federally sponsored UARC.
- Biomedical Technology Transfer Corporation (BIOTT) was organized as the business arm of UNeTech, a translational research institute and startup incubator for the University of Nebraska Medical Center and the University of Nebraska-Omaha. BIOTT receives donations to invest in startup companies participating in the UNeTech incubator.
- University Village Development Corporation of Kearney (UVDCK), a non-profit organization, provides support and oversight for the development of land near the University of Nebraska-Kearney (UNK) campus for residential, commercial, and recreational use to benefit the University, local community, region and State of Nebraska.
- 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, 2021 and 2020

(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.

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2021 and 2020

(In thousands)

Note 1: Summary of Significant Accounting Policies - Continued

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.

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.

University Technology Development Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2021 and 2020

(In thousands)

Note 1: Summary of Significant Accounting Policies - Continued

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 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.

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.

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.

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. Bank balances of cash and cash equivalents amounted to approximately \$11,544 and \$8,184 at June 30, 2021 and 2020, with approximately \$1,861 and \$1,947 covered by federal depository insurance, respectively. Of the remaining bank balance at June 30, 2021 and 2020, approximately \$925 and \$550 were collateralized with securities held by the pledging financial institution, but not in the University's name, and \$8,758 and \$5,687 were uninsured and uncollateralized, respectively.

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

Notes to Financial Statements

June 30, 2021 and 2020

(In thousands)

Note 3: Capital Assets

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>

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

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

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

Notes to Financial Statements

June 30, 2021 and 2020

(In thousands)

Note 4: Leases

UTDC leases certain facilities under operating lease agreements. Rent expense under the operating leases was \$540 and \$508 in fiscal years 2021 and 2020, respectively. Minimum lease payments under operating leases for the year ending June 30, 2021 are:

2022	\$	470
2023		483
2024		463
2025		403
2026		334
2027–2031		898
2032–2034		564
		564
	\$	3,615

Note 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 statements of revenues, expenses, and changes in net position. Amounts reimbursed during the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Reimbursement to NARI from University sources	\$ 495	\$ 500
Reimbursement to NUtech from University sources	1,129	1,242
Reimbursement to NICDC from University sources	370	250
Reimbursement to NEI from University sources	960	1,147
Reimbursement to MCDC from University sources	74	192
Reimbursement to UNeMed from University sources	1,760	1,760
Reimbursement to NSRI from University sources	1,864	2,475
Reimbursement to UTDC from University sources	-	100
	\$ 6,652	\$ 7,666

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

Notes to Financial Statements

June 30, 2021 and 2020

(In thousands)

Note 5: Related-Party Transactions - Continued

The outstanding receivables from and payables to related parties at June 30, 2021 and 2020 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 and 2020, 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.

Note 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 (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. Contributions made by employees for the years ended June 30, 2021 and 2020 were \$132 and \$181, respectively. Contributions made by the component units for the years ended June 30, 2021 and 2020 were \$192 and \$263, 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.

Note 7: Accrued Compensated Absences

NUtech, UNeMed, and NICDC pay employees through the payroll system of the University. The University is reimbursed for the salary and benefits expenses of these three 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	Reductions	Ending Balance	Current Portion
2021	\$ 493	\$ 554	\$ 406	\$ 641	\$ 432
2020	\$ 121	\$ 754	\$ 382	\$ 493	\$ 298