



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

*Combined Financial Statements
For the Years Ended June 30, 2017 and 2016
Independent Auditors' Report*

**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 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, 2017 and 2016, 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 financial statements, which collectively comprise the UTDC's combined financial statements.

Management's Responsibility for the 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 statement audits contained in *Government Accounting 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, 2017 and 2016, 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 3–6 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 5, 2017, 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 5, 2017

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (Unaudited) (in thousands)

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, 2017 and 2016. This analysis has been prepared by management of the UTDC and is intended to be read in conjunction with the combined financial statements and 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:

<u>Subsidiary</u>	<u>Primary Purpose</u>
NUtech Ventures (NUtech)	Tech transfer support and activities at the University of Nebraska–Lincoln.
UNeMed Corporation (UNeMed)	Tech transfer support and activities at the University of Nebraska Medical Center.
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)	Formally known as Peter Kiewit Institute Technology Development Corporation. To conduct applied research in the cyber security of control systems for the government and corporations.
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 for those persons employed by the enterprise, 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.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (Unaudited) (in thousands)

Condensed Statements of Net Position

	June 30		
	2017	2016	2015
Assets:			
Current assets	\$ 8,316	8,085	7,545
Noncurrent assets	1,173	429	363
Total assets	\$ 9,489	8,514	7,908
Liabilities:			
Current liabilities	\$ 7,671	7,720	7,331
Net position:			
Net investment in capital assets	\$ 1,145	192	10
Unrestricted	673	602	567
Total net position	\$ 1,818	794	577

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

	Year ended June 30		
	2017	2016	2015
License income	\$ 3,825	4,817	5,700
Grants and contracts	8,528	6,360	6,186
Other income	1,024	1,164	1,062
Total operating revenues	13,377	12,341	12,948
Compensation and benefits	7,077	4,882	4,290
Research expense	8,491	5,980	6,632
Contractual services	3,965	4,361	4,613
Depreciation	99	5	—
Total direct operating expenses	19,632	15,228	15,535
Distributions to campuses and inventors	(2,226)	(3,459)	(3,476)
Nonoperating revenues, net	9,505	6,563	7,137
Increase in net position	1,024	217	1,074
Net position, beginning of year	794	577	(497)
Net position, end of year	\$ 1,818	794	577

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (Unaudited) (in thousands)

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 \$13.4 million in FY17, compared to \$12.3 million in FY16, an increase of approximately 9%. During 2015, operating revenues were \$12.9 million.

Total operating expenses increased 29% when comparing 2017 to 2016 at \$19,632 and \$15,228, respectively. This level compares to operating expenses of \$15,535 in 2015. This was driven by an increase in compensation due to continued hiring of strategic resources by NSRI and NARI during 2017.

NSRI received a \$1.2 million capital gift to renovate its Maryland facility in 2017. Once cleared for classified meetings, the rental of the Maryland facility will be a source of additional revenue. Changes to other categories of expenses were minimal in both 2017 and 2016.

The real gauge of entities such as UTDC is how 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 financial statements.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Three-Year Total</u>
Operating assets transferred from the University	\$ 8,540	\$ 6,678	\$ 7,136	\$ 22,354
Activity generated (Operating Expenses):				
Compensation and benefits	\$ 7,077	\$ 4,882	\$ 4,290	\$ 16,249
Research expense	8,491	5,980	6,632	21,103
Royalties	744	1,098	1,397	3,239
Contractual services	3,965	4,361	4,613	12,939
Distributions to campuses	1,482	2,361	2,079	5,922
Total activity generated	<u>\$ 21,759</u>	<u>\$ 18,682</u>	<u>\$ 19,011</u>	<u>\$ 59,452</u>

In essence, over the last three years, the University has invested approximately \$22 million in the UTDC subsidiaries. In return, these entities have leveraged this investment and University technologies to generate approximately \$59 million in economic activity: approximately \$16 million in benefit-paying jobs, \$21 million to campus research activities, \$3 million in royalties, \$6 million in distributions back to deans, directors, and campuses, and approximately \$13 million in other activity. This represents a 33% return.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (Unaudited) (in thousands)

The combined statement of net position of UTDC is fairly straight forward, as it comprises primarily 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 meet its obligations on a go-forward basis.

Economic Outlook and Subsequent Events that Will Affect the Future

The subsidiaries of UTDC are primarily directed to two strategic areas: research and development activities. Research growth is one of the highest strategic objectives of the University. NSRI continues to distinguish itself as the UARC that serves United States Strategic Command and other federal agencies. NUtech and UNeMed spark discovery and fuel research and technology transfer at the University of Nebraska–Lincoln and the University of Nebraska Medical Center. NARI's services and products have the potential to make local architectural, engineering and construction firms more competitive for contracts that require compliance with emerging federal cybersecurity guidelines. In its development activities, NICDC seeks to provide physical space that fosters cooperative relationships and joins university faculty and students with businesses ranging from well established to start-ups. All of these enterprises have touches on many areas that positively impact the University, the State of Nebraska, and the various constituencies the University serves. As such, UTDC and its subsidiaries are, and will remain, an important part of the University.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

COMBINED STATEMENTS OF NET POSITION JUNE 30, 2017 AND 2016 (in thousands)

ASSETS	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,983	5,471
Accounts receivable, net	3,155	1,881
Due from related parties	1,057	708
Prepaid expenses and deferred charges	121	25
Total current assets	8,316	8,085
NONCURRENT ASSETS:		
Investments	—	144
Licenses and notes receivable	—	93
Capital assets, net of accumulated depreciation	1,173	192
Total noncurrent assets	1,173	429
Total assets	9,489	8,514
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	1,247	3,715
Royalties	74	74
Due to related parties	6,350	3,931
Total current liabilities	7,671	7,720
NET POSITION		
Net investment in capital assets	1,145	192
Unrestricted	673	602
Total net position	\$ 1,818	794

See accompanying notes to combined financial statements.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (in thousands)

	2017	2016
OPERATING REVENUES:		
License income	\$ 3,825	\$ 4,817
Grants and contracts	8,528	6,360
Research income	391	618
Patent income	91	154
Other operating revenues	<u>542</u>	<u>392</u>
Total operating revenues	<u>13,377</u>	<u>12,341</u>
OPERATING EXPENSES:		
Direct operating expenses:		
Salaries and wages	6,046	4,054
Benefits	<u>1,031</u>	<u>828</u>
Total compensation and benefits	7,077	4,882
Research expense	8,491	5,980
Contractual services	3,965	4,361
Depreciation	<u>99</u>	<u>5</u>
Total direct operating expenses	<u>19,632</u>	<u>15,228</u>
Distributions to campuses and inventors:		
University campuses	1,280	1,963
Inventors	571	877
University colleges	202	398
External sponsors	<u>173</u>	<u>221</u>
Total distributions to campuses and inventors	<u>2,226</u>	<u>3,459</u>
Total operating expenses	<u>21,858</u>	<u>18,687</u>
Operating loss	<u>(8,481)</u>	<u>(6,346)</u>
NONOPERATING REVENUES (EXPENSES):		
Capital gifts	1,200	-
Investment income (loss), net	(235)	(115)
Transfers from University sources	<u>8,540</u>	<u>6,678</u>
Nonoperating revenues, net	<u>9,505</u>	<u>6,563</u>
Increase in net position	1,024	217
NET POSITION:		
Beginning of year	<u>794</u>	<u>577</u>
End of year	<u>\$ 1,818</u>	<u>\$ 794</u>

See accompanying notes to combined financial statements.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Gifts, grants, and contracts received	7,272	\$ 6,348
License, patent, and research cash received	4,415	5,626
Other operating receipts	452	392
Payments to vendors	(13,611)	(13,823)
Payments to employees	(7,129)	(4,265)
Payments to campuses	(1,482)	(1,033)
	<u>(10,083)</u>	<u>(6,755)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfer of assets from other University sources	8,540	6,558
Capital gifts	1,200	5
Purchase of capital assets	(1,052)	(187)
	<u>8,688</u>	<u>6,376</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(74)	(144)
Interest on deposits	(19)	19
	<u>(93)</u>	<u>(125)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,488)	(504)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>5,471</u>	<u>5,975</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 3,983</u>	<u>\$ 5,471</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	(8,481)	\$ (6,346)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	99	5
Changes in assets and liabilities:		
Accounts receivable, net	(1,502)	(982)
Licenses and notes receivable		133
Prepaid expenses and deferred charges	(85)	10
Accounts payable	(114)	425
	<u>(10,083)</u>	<u>\$ (6,755)</u>
NON-CASH TRANSACTIONS:		
Write-off of investments	\$ 218	-

See accompanying notes to combined financial statements.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (in thousands)

A. 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 combined financial statements and the accompanying notes.

The combined statements are the responsibility of the UTDC board of directors and have been prepared in accordance with U.S. generally accepted accounting principles. The statements include the activities of UTDC and its five combined subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Reporting Entity – The reporting entity consists of UTDC and the following four 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.
- UNeMed Corporation (UNeMed) was incorporated by University of Nebraska Medical Center (UNMC) as a for-profit corporation in 1991. UTDC, by proxy, has designated the Chancellor of UNMC to act as its stockholder. UNeMed is involved in the development and marketing of biomedical technologies.
- Nebraska Innovation Campus Development Corporation (NICDC) was organized to facilitate 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 cyber security of control systems for the government 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 61, *The Financial Reporting Entity: Omnibus*, and have been presented in a condensed combining singular column presentation.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (in thousands)

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 the Governmental Accounting Standards Board (GASB).

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 activities of nonoperating nature.

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. Accounts receivable are recorded net of an allowance for doubtful accounts of \$0 and \$611 at June 30, 2017 and 2016, respectively.

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 buildings and their components, 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.

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.

Income Distributions – Income distributions to inventors, departments, deans and directors, and research offices are determined based on established policy and based on agreements among NUtech, UNeMed, 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

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (in thousands)

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

Tax Status – UTDC and its subsidiaries, except for UNeMed, 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.

UNeMed 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. UNeMed does not have an income tax liability as it has taxable losses, or any infrequent taxable income is offset by net operating loss carryovers.

UNeMed has deferred tax assets including net operating losses and capital loss carryovers. Management has determined that it is more likely than not that they 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 investment in capital assets, net of depreciation, and comprises leasehold improvements and moveable equipment. 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 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.

B. 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 \$4,651 and \$5,471 at June 30, 2017 and 2016, with approximately \$1,425 and \$1,292 covered by federal depository insurance, respectively. Of the remaining bank balance at June 30, 2017 and 2016, approximately \$27 and \$27 were collateralized with securities held by the pledging financial institution, but not in the University's name, and approximately \$3,199 and \$4,152 were uninsured and uncollateralized, respectively.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (in thousands)

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Leasehold improvements	\$ -	\$ 1,267	\$ -	\$ 1,267
Equipment	45	-	-	45
Work in progress	187	-	187	-
Total	<u>232</u>	<u>1,267</u>	<u>187</u>	<u>1,312</u>
Less accumulated depreciation for:				
Leasehold improvements	-	94	-	94
Equipment	40	5	-	45
Total	<u>40</u>	<u>99</u>	<u>-</u>	<u>139</u>
Capital assets, net	<u>\$ 192</u>	<u>\$ 1,168</u>	<u>\$ 187</u>	<u>\$ 1,173</u>

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Equipment	\$ 45	\$ -	\$ -	\$ 45
Work in progress	-	187	-	187
Total	<u>45</u>	<u>187</u>	<u>-</u>	<u>232</u>
Less accumulated depreciation for:				
Equipment	35	5	-	40
Capital assets, net	<u>\$ 10</u>	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ 192</u>

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (in thousands)

D. LEASES

UTDC leases certain facilities under an operating lease agreement. Rent expense under the operating lease from continuing operations was \$138 and \$11 in fiscal year 2017 and 2016, respectively. Minimum lease payments under operating leases for the year ending June 30 are:

2018	\$134
2019	139
2020	143
2021	147
2022	25

E. 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. NARI formalized an operating agreement with the University of Nebraska at Omaha in fiscal year 2018, but did receive reimbursement for certain costs incurred in fiscal year 2017. 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Reimbursement to NARI from UNO	\$ 250	\$ -
Reimbursement to NARI from University Sources	1,000	-
Reimbursement to Nutech from UNL	1,266	1,867
Reimbursement to NICDC from UNL	553	702
Reimbursement to UNeMed from UNMC	2,836	2,609
Reimbursement to NSRI from other University sources	2,635	1,500
	<u>\$ 8,540</u>	<u>\$ 6,678</u>

The outstanding receivables from and payables to related parties at June 30, 2017 and 2016 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.

UNIVERSITY TECHNOLOGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 (in thousands)

F. RETIREMENT PLAN

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 subsidiaries handle payroll separately. 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 6.5% and 8.0% 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, 2017 and 2016 were \$177 and \$160, 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.