University of Wisconsin Foundation

Consolidated Financial Report
June 30, 2022

Contents

Independent Auditor's Report

Board of Directors
University of Wisconsin Foundation

Opinion
We have audited the accompanying consolidated financial statements of the University of Wisconsin Foundation (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Chicago, Illinois
December 6, 2022

University of Wisconsin Foundation

Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	**$ 137,512,696**	$ 15,642,741
Income or redemption receivables and prepaid investments	**149,446,633**	272,621,660
Assets receivable under split-interest agreements	**42,234,774**	17,457,988
Prepaid expenses	**2,574,280**	2,480,067
Pledges receivable, net	**100,769,223**	140,664,551
Investments	**4,513,308,351**	5,223,802,186
Property and equipment, net	**14,098,126**	13,652,218
Other assets	**5,266,189**	6,139,999
Total assets	**$ 4,965,210,272**	$ 5,692,461,410
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 9,075,863**	$ 5,749,442
Pending investment purchases payable	**115,409,595**	349,396,887
Accrued expenses and other payables	**9,551,600**	16,541,305
Deferred compensation	**8,149,627**	11,642,419
Liability under split-interest agreements	**40,645,070**	46,825,628
Funds due to other organizations	**232,404,268**	296,667,031
Total liabilities	**415,236,023**	726,822,712
Net assets:		
Without donor restrictions	**123,117,790**	158,065,377
With donor restrictions	**4,426,856,459**	4,807,573,321
Total net assets	**4,549,974,249**	4,965,638,698
Total liabilities and net assets	**$ 4,965,210,272**	$ 5,692,461,410

See notes to consolidated financial statements.

University of Wisconsin Foundation

Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions	$ 2,432,874	$ 375,986,841	$ 378,419,715
Investment return, net of fees	(30,385,044)	(435,828,368)	(466,213,412)
Other income	2,905,234	1,498,354	4,403,588
Reclassifications of net assets due to changes in donor restrictions	3,403,969	(3,403,969)	-
Net assets released from restrictions	318,969,720	(318,969,720)	-
Total support and other revenue	297,326,753	(380,716,862)	(83,390,109)
Expenses:			
Payments to or for University of Wisconsin	272,226,114	-	272,226,114
Fundraising expenses	32,579,633	-	32,579,633
Management and general expenses	27,468,593	-	27,468,593
Total expenses	332,274,340	-	332,274,340
Change in net assets	(34,947,587)	(380,716,862)	(415,664,449)
Net assets, beginning of year	158,065,377	4,807,573,321	4,965,638,698
Net assets, end of year	$ 123,117,790	$ 4,426,856,459	$ 4,549,974,249

See notes to consolidated financial statements.

University of Wisconsin Foundation

Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions	$ 2,054,296	$ 381,649,360	$ 383,703,656
Investment return, net of fees	23,561,527	893,742,668	917,304,195
Other income	2,524,058	1,410,180	3,934,238
Reclassifications of net assets due to changes in donor restrictions	(38,988,136)	38,988,136	-
Net assets released from restrictions	351,234,706	(351,234,706)	-
Total support and other revenue	340,386,451	964,555,638	1,304,942,089
Expenses:			
Payments to or for University of Wisconsin	305,424,681	-	305,424,681
Fundraising expenses	27,587,580	-	27,587,580
Management and general expenses	28,955,156	-	28,955,156
Total expenses	361,967,417	-	361,967,417
Change in net assets	(21,580,966)	964,555,638	942,974,672
Net assets, beginning of year	179,646,343	3,843,017,683	4,022,664,026
Net assets, end of year	$ 158,065,377	$ 4,807,573,321	$ 4,965,638,698

See notes to consolidated financial statements.

University of Wisconsin Foundation

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (415,664,449)**	$ 942,974,672
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	**2,122,195**	2,191,768
Net investment losses (gains)	**484,801,956**	(889,906,538)
Realized losses (gains) on sales of real estate	**142,238**	(292,594)
Realized losses (gains) on sales of property and equipment	**7,075**	(30,185)
Loss on guarantee	**23,984**	7,073,000
Contributions to endowment funds	**(87,939,119)**	(81,854,088)
Contributions of real estate	**(1,405,000)**	(2,455,892)
Changes in operating assets and liabilities:		
Income or redemption receivables and prepaid investments	**173,793,528**	(184,515,734)
Assets receivable under split-interest agreements	**(24,776,786)**	(9,033,915)
Prepaid expenses	**(94,213)**	(441,976)
Pledges receivable	**33,757,471**	(48,641,233)
Other assets	**873,810**	1,972,922
Accounts payable	**3,326,421**	(7,017,882)
Accrued expenses and other payables	**(7,013,689)**	1,674,307
Deferred compensation	**(3,492,792)**	9,158,421
Change in value of split interest agreements	**(1,950,628)**	4,932,742
Funds due to other organizations	**(32,727,757)**	(59,381,615)
Net cash provided by (used in) operating activities	**123,784,245**	(313,593,820)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	**8,792,626,360**	5,214,297,952
Purchase of investments	**(8,883,075,280)**	(5,033,785,355)
Proceeds from sale of real estate	**1,262,762**	4,314,476
Proceeds from sales of property and equipment	**-**	81,050
Purchase of property and equipment	**(2,575,178)**	(819,266)
Net cash (used in) provided by investing activities	**(91,761,336)**	184,088,857
Cash flows from financing activities:		
Proceeds from contributions to endowment funds	**94,076,976**	89,364,574
Proceeds from split interest agreement obligations	**1,620,051**	5,973,245
Payments on split interest agreement obligations	**(5,849,981)**	(5,678,359)
Net cash provided by financing activities	**89,847,046**	89,659,460
Net increase (decrease) in cash and cash equivalents	**121,869,955**	(39,845,503)
Cash and cash equivalents, beginning of year	**15,642,741**	55,488,244
Cash and cash equivalents, end of year	**$ 137,512,696**	$ 15,642,741

See notes to consolidated financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities: The University of Wisconsin Foundation (Foundation) is a private, nonprofit organization formed to generate private support for the University of Wisconsin-Madison (UW-Madison). The Foundation, also doing business as the Wisconsin Foundation and Alumni Association, receives gifts and bequests, administers and invests funds held, and disburses payments to and on behalf of UW-Madison for the advancement of scientific, literary, educational, and athletic purposes.

The Foundation established the UW-Madison Supporting Organization, Inc. (Supporting Organization), which is a separate legal entity. The Supporting Organization held certain tax-generating assets for the benefit and support of UW-Madison and the Foundation. The UW-Madison Supporting Organization was dissolved effective December 15, 2020.

Principles of consolidation: The consolidated financial statements include the accounts of the Foundation and its affiliate noted above (collectively referred to as the Foundation). All significant intercompany accounts and transactions have been eliminated in the consolidation.

A summary of the Foundation's fund and account descriptions follows.

General fund: The General Fund records amounts generally associated with operation of the Foundation and may include gifts that have not been restricted for a specific purpose by the donor.

Callable fund: Callable funds, invested in a short-term investment portfolio, reflect gifts made for a specific purpose designated by the donor, and may include funds designated by the Foundation board for specific purposes. At June 30, 2022 and 2021, none of the Foundation's callable funds were restricted in perpetuity by a donor.

Endowment funds: At June 30, 2022 and 2021, there were 5,949 and 5,707 funds, respectively, pooled in an endowment portfolio for investment purposes (Endowment Fund). Generally, the principal of the funds is to be kept intact with income from investments being distributed according to the wishes of the donor. For certain funds that are not restricted in perpetuity, the donor may also request principal to be available for distribution. BNY Mellon serves as the custodian.

Life income accounts (split-interest gifts): At June 30, 2022 and 2021, there were 280 and 293 charitable trusts (Life Income and Life Estate Accounts), respectively, that have been created for and trusteed by the Foundation. U.S. Bank, N.A. serves as the custodian.

A summary of the Foundation's significant accounting policies follows:

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation: The Foundation classifies its net assets into two categories, which are net assets with donor restrictions and net assets without donor restrictions.

Net assets without restriction are reflective of revenues and expenses associated with the operating activities of the Foundation and are not subject to donor-imposed stipulations.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

At June 30, 2022 and 2021, the Foundation had $42,093,480 and $48,821,520, respectively, of net assets without donor restrictions that were designated by the board for specific purposes, including for endowed chairs and professorships, student financial support, and other expenses of UW-Madison. Of that amount, $6,293,801 and $7,409,667, respectively, of those net assets without donor restrictions function as a board-designated endowment fund at June 30, 2022 and 2021.

Net assets with donor restrictions are those resources whose use by the Foundation has been limited by donors for a specific purpose and expires by actions of the Foundation.

During the year ended June 30, 2021, the Foundation reclassified $35,000,000 of net assets without donor restrictions to net assets with donor restrictions in connection with a donor gift made in the current year that was conditioned upon the Foundation's ability to commit to the restriction, designed to enhance endowment support for various UW-Madison faculty positions.

The Foundation has presented its assets and liabilities on the consolidated statements of financial position in an unclassified manner, but in order of liquidity.

Cash and cash equivalents: The Foundation considers investments in marketable securities and other highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents managed by outside investment managers are included in investments. For these short-term instruments, cost approximates the fair market value. The Foundation, at times, has on deposit in financial institutions cash balances and money markets in excess of the Federal Deposit Insurance Corporation limit. The Foundation does not believe it is exposed to any significant credit risk on cash and cash equivalents. The Foundation has not experienced any losses in such accounts and management does not believe that it is exposed to any significant credit risk.

Pledges receivable: Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using five-year risk free rates adjusted by the Foundation for market risk commensurate with the underlying pledge risk. The pledges receivable have been discounted at rates ranging from 1.29% to 6.67% as of June 30, 2022 and 2021.

Investments: Investments are stated at fair value. Purchases and sales of securities are recorded on the trade date. Realized gains and losses on the sales of investments are determined on the basis of the average cost of securities sold. Investment income or loss (including gains and losses on investments and derivatives, interest and dividends) is included in the consolidated statements of activities as increases or decreases in net assets without donor restriction unless the income or loss is restricted by donor or law.

The Foundation utilizes various investment managers to manage the assets within established parameters. The assets of the managed accounts, which include, but are not exclusively limited to cash equivalents, common stocks and fixed income securities, are, to the extent possible, held in custody by BNY Mellon.

Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income or redemption receivables and prepaid investments: Income receivable represents interest and dividend due to the Foundation as of June 30, 2022 and 2021. Interest income is recognized on the accrual basis and dividend income is recognized on the ex-dividend date. As of June 30, 2022 and 2021, the Foundation had $7,877,293 and $8,542,320 of income receivables.

As of June 30, 2022 and 2021, $61,569,340 and $264,079,340 was due to the Foundation from investments. The receivable amount represents the fair value of certain investments, net of any management fees and incentive fees/allocations, that were redeemed by the Foundation at year-end. Substantially all the receivable balance was collected subsequent to the balance sheet date.

Prepaid investments represent amounts transferred to investment funds prior to year-end relating to investments to be made effective July 1, 2022 and 2021, pursuant to each investment fund's operating agreements. As of June 30, 2022 and 2021, the Foundation had $80,000,000 and $0 of prepaid investments.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk. The Foundation attempts to control its exposure to market risk through various analytical monitoring techniques.

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. The Foundation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Foundation has a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges. The Foundation seeks to mitigate its exposure to this credit risk by placing its cash with major institutions.

Concentration of credit risk: The Foundation's managers currently invest with various managers and clearing brokers. In the event these counterparties do not fulfill their obligations, the Foundation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Foundation attempts to minimize this credit risk by monitoring the creditworthiness of the managers and clearing brokers.

Alternative investments: The managers of underlying investment entities in which the Foundation invests may utilize derivative instruments with off-balance sheet risk. The Foundation's exposure to risk is limited to the amount of its investment.

Foreign currency: Investment securities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

The Foundation does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included within the net realized gains and unrealized gain or loss from investments.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are recorded at cost. Contributed property and equipment is recorded at fair value at the date of donation. Expenditures for additions and improvements are capitalized, while replacements, maintenance, and repairs that do not improve the useful lives of the assets are expensed as incurred.

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations using the straight-line method over the following estimated service lives:

Asset description	Life
Buildings	12 to 39 years
Land improvements	7 to 15 years
Exhibits	5 to 15 years
Office furniture and equipment	5 to 15 years
Computer hardware and software	3 to 15 years
Automobiles and trucks	4 to 5 years
Leasehold improvements	(1)

(1) The shorter of their estimated useful lives or the remaining terms of the related leases.

Impairment of long-lived assets: The Foundation reviews its long-lived assets, including property and equipment, when events and circumstances indicate that the assets might be impaired by comparing the carrying value of the assets with the undiscounted anticipated future cash flows of the related asset before interest charges. If the sum of the projected undiscounted cash flows (excluding interest charges) of an asset group is less than its carrying value and the fair value of an asset group is also less than its carrying value, the assets will be written down by the amount by which the carrying value of the asset group exceeded its fair value. There was no impairment recorded in 2022 or 2021.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. All donations received by the Foundation specifically benefit UW-Madison and other organizations within the University of Wisconsin System.

All contributions are considered available for use without donor restrictions unless specifically restricted by the donor. Contributed property and equipment is recorded at fair value at the date of donation. Contributions are reported with or without donor restriction depending on if they are received with donor stipulations that limit the use of the donated assets. Stipulations, or trivial administrative requirements, that are unrelated to the purpose for which the contribution was received are not indicative of barriers. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restriction are reclassified as net assets without restriction and reported in the consolidated statements of activities as assets released from restrictions.

Functional allocation of expenses: The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or support functions of the Foundation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee compensation and benefits, fees for services, advertising and promotion, office expenses, information technology, occupancy, travel, conferences, conventions, meetings, depreciation and insurance, all of which are allocated based on type of services provided within each department and their related expenses.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Split-interest agreements: Assets contributed by donors under charitable remainder trust agreements and controlled by third parties are recognized at the present value of the estimated future distributions to be received by the Foundation during the term of the agreement. The Foundation records life income assets received at their fair value. The actuarially determined present value of the future annuity cash flow required to be paid to the donors or their beneficiaries is recorded as a liability in the consolidated statements of financial position. The Foundation records the difference between the fair value of the life income assets and the actuarially determined present value of future annuity cash flow as contribution revenue in the year when the asset is received. The Foundation recorded contribution revenue of $1,299,073 and $2,618,504 for the years ended June 30, 2022 and 2021, respectively, related to these agreements. Life income assets are included in investments in the accompanying consolidated statements of financial position.

Gift annuities are contracts between the Foundation and individual donors. Each contract involves a gift of principal to the Foundation and an obligation by the Foundation to make payments as specified in the contract. Any deficit in income to be distributed will be funded first from the principal donated and if that is insufficient, from other Foundation assets.

Charitable Remainder Trusts, Charitable Lead Trusts, and Pooled Income Funds are gifts in the form of trusts. Income and/or principal from these trusts is distributed to the named beneficiaries in the amount specified by each written agreement. Upon termination of the trust at some future date, the remaining principal and income will be distributed as specified in the agreement.

The Foundation holds residential real property subject to life estates retained by the donors.

A summary of assets held and the obligations related to split-interest agreements is detailed in Note 6.

Administrative and investment expenses: Administrative expenses, not specifically identifiable with Callable or Endowment Funds or the Life Income Accounts and Life Estate Accounts, are recorded in the General Fund and are not allocated.

The Foundation has a policy of assessing an institutional advancement fee on all funds participating in the Endowment Fund, at a stated 1% annual rate, to help support Foundation operations. The fee is drawn on a quarterly basis by applying a ¼ of 1% to the prior quarter's ending market value of the Endowment Fund. For the years ended June 30, 2022 and 2021, the total amount assessed to the Endowment Fund was $40,041,953 and $34,607,996, respectively. While the majority of the total fee recorded is eliminated during the financial statement consolidation, fees related to funds held in agency status are recorded as other income in the consolidated statements of activities. Institutional advancement fees recorded on agency funds during the years ended June 30, 2022 and 2021 were $2,267,409 and $2,253,683, respectively.

Income taxes: The Foundation has received a determination letter from the Internal Revenue Service stating that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, the Foundation is subject to federal and state income taxes on its unrelated business income, as a result of ownership in various investment entities.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

The Foundation follows the guidance relative to accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). Any tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Foundation files Forms 990 in the U.S. federal jurisdiction and the state of Wisconsin and also files returns in several other states due to unrelated business income tax filing requirements.

Guarantees: In 1998, the Foundation entered into a guarantee and support agreement on behalf of the Center for Advanced Studies in Business, Inc. (CASB) to secure principal and interest payments on $10,880,000 of fixed-rate development-revenue bonds used in funding the construction of the Fluno Center. In 2008, CASB obtained a $14,400,000 mortgage loan from Johnson Bank, N.A., for the purpose of retiring the bonds. In 2013, CASB refinanced the loan with a $12,100,000 mortgage loan from Associated Bank, National Association (ABNA) and in 2020, entered into a loan modification agreement with ABNA to restructure the interest and repayment terms. In 2020, the Foundation also entered into a guarantee and support agreement to secure principal and interest payments on the modified loan. The modified loan is payable in quarterly installments, including interest at a fixed rate of 2.46%, through April 2030, when a $1,857,898 balloon payment is due. The total loan outstanding as of June 30, 2021 was $8,273,059.

Management evaluates the Foundation's exposure to loss at each balance sheet date and provides accruals for such as deemed necessary. As of June 30, 2021, $7,073,000 was included in accrued expenses and other payables. In October 2021, the board passed a resolution approving a transaction between the Foundation and CASB through which the Foundation would pay to CASB the difference between the current balance of CASB's mortgage on the Fluno Center and CASB's Agency funds held at the Foundation. The transaction closed on December 16, 2021. In total, $10,096,984 was transferred from the Foundation to CASB. On December 23, 2021, the Foundation received confirmation that ABNA had filed satisfactions for the debt guaranteed by the Foundation. The University has since resumed control and operation of the Fluno Center.

Reclassifications: Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the 2022 consolidated financial statement presentation, with no impact on previously reported net assets or changes in net assets.

Recently adopted accounting standards: In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Foundation adopted this guidance on its consolidated financial statements for both periods presented. The adoption of ASU 2020-07 did not have a material impact on the consolidated financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Pending accounting standards: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its subsequently issued amendments supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. ASU 2020-05 deferred the effective date of adoption to the Foundation's year ending June 30, 2023, with early adoption permitted. The Foundation does not expect the adoption to have a material impact on the financial statements.

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*, which, among other things, clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The new ASU clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. ASU 2020-01 is effective for the Foundation's fiscal year ending June 30, 2023, with early adoption permitted. The Foundation is currently evaluating the impact of the adoption of the standard on its consolidated financial statements.

Subsequent events: Management of the Foundation has evaluated subsequent events through December 6, 2022, which is the date the consolidated financial statements were available to be issued for possible measurement and/or disclosure effects on the consolidated financial statements.

Note 2. Liquidity and Availability

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities.

The Foundation's policy states that the investment portfolio liquidity shall always be a consideration in the allocation of portfolio assets given the need for liquidity to meet requests of the University of Wisconsin-Madison and the funding of operations. The Foundation forecasts its future cash flows required to meet its operating needs and other commitments and regularly monitors liquidity while also striving to maximize the return on investments.

The Foundation receives restricted gifts with purpose restrictions. The income generated from restricted assets may be donor-restricted or unrestricted as to use. Contributions and investment income without donor restrictions and board designations are considered available for use in current activities, programs and grant commitments are considered to be available to meet cash needs for general expenditures. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

Note 2. Liquidity and Availability (Continued)

As of June 30, 2022 and 2021, the following financial assets are available to meet general expenditures within one year:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 137,512,696	$ 15,642,741
Income or redemption receivables and prepaid investments	149,446,633	272,621,660
Assets receivable under split-interest agreements	42,234,774	17,457,988
Pledges receivable, net	100,769,223	140,664,551
Investments	4,513,308,351	5,223,802,186
Other financial assets	3,343,489	4,217,299
Total financial assets	4,946,615,166	5,674,406,425
Less amounts not available to be used within one year:		
Donor-restricted net assets	4,426,856,459	4,807,573,321
Board-designated net assets	42,093,480	48,821,520
Funds due to other organizations	232,404,268	296,667,031
Investments held under deferred compensation arrangements	2,477,245	3,036,259
Financial assets not available to be used within one year	4,703,831,452	5,156,098,131
Financial assets available to meet general expenditures within one year	$ 242,783,714	$ 518,308,294

Note 3. Pledges Receivable

A summary of the pledges receivable (unconditional promises to give) as of June 30, 2022 and 2021, is as follows:

	2022	2021
Unconditional promises to give before unamortized discount and allowance for uncollectible pledges	$ 112,931,354	$ 152,387,405
Less unamortized discount	(4,343,367)	(4,839,466)
	108,587,987	147,547,939
Less allowance for uncollectible pledges	(7,818,764)	(6,883,388)
	$ 100,769,223	$ 140,664,551

	2022	2021
Amounts due in:		
Less than one year	$ 57,976,241	$ 86,102,034
One to five years	52,730,085	51,109,617
More than five years	2,225,028	15,175,754
	112,931,354	152,387,405
Less unamortized discount and allowance for uncollectible pledges	(12,162,131)	(11,722,854)
	$ 100,769,223	$ 140,664,551

At June 30, 2022 and 2021, the Foundation has a $50,000,000 pledge outstanding that is conditional upon raising an equal amount of matching funds from private sources. The contribution will be recorded when the match has been fully met. At June 30, 2022 and 2021, the Foundation has a pledge outstanding that includes milestones related to the construction of a facility. The contribution is recorded as the related milestones, which represent conditions, have been completed. At June 30, 2022 and 2021, $10,000,000 remained unrecognized due to remaining conditions.

Note 4. Investments and Fair Value of Financial Instruments

The Foundation records its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

Private investment companies measured using net asset value (NAV) as a practical expedient are not categorized within the fair value hierarchy.

In certain cases, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values might be materially higher or lower than the values that would have been used had a readily available market for the securities existed. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for securities categorized in Level 3.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

A description of the valuation methodologies used for assets and liabilities measured at fair value is set forth below. For the years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Investments in securities traded on national securities exchanges including money market funds, mutual funds, exchange traded funds, stocks, and U.S. Treasuries, are stated at the last reported sales price on the day of valuation.

Note 4. Investments and Fair Value of Financial Instruments (Continued)

Investments in government securities and corporate bonds which are traded on a national securities exchange or market are valued at bid quotations on that day. If a reliable bid quotation cannot be obtained from a national securities exchange, the security is priced at the mean between the bid and asked quotation of a reliable market maker.

Net asset value: Investments in non-registered investment companies consisting of certain common trust funds, limited partnerships, bond trust fund and hedged equities funds, private equity funds and real asset funds are valued at fair value based on the applicable percentage ownership of the underlying investment entities' net assets as of the measurement date as determined by the Foundation, commonly referred to as the practical expedient. In determining fair value, the Foundation utilizes valuations provided by the underlying investment entities. The underlying investment entities value securities and other financial instruments on a fair value based upon market price, when possible, or at fair value determined by the respective entities' investment manager when no market price is determinable. Although the Foundation uses their best judgment in estimating the fair value of alternative investments, there are inherent limitations in any estimation technique. The estimated fair values of certain of the investments of the underlying investment entities, which may include derivatives, securities and other designated or side pocketed investments for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and differences could be material.

Life income pooled investments represent funds trusteed by the Foundation, held in custody at U.S. Bank, and include money market funds, bond funds, equity securities, electronically traded funds and stock funds.

Note 4. Investments and Fair Value of Financial Instruments (Continued)

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis in the consolidated statements of financial position as of June 30, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valued Using Net Asset Values ** (NAV)
Cash and cash equivalents:					
Cash and money market funds	$ 198,570,545	$ 198,570,545	$ -	$ -	$ -
Assets held for deferred compensation	2,477,245	2,477,245	-	-	-
Life income pooled investments	89,875,364	80,848,190	9,027,174	-	-
Global equities:					
Common trust funds	1,013,623,823	-	-	-	1,013,623,823
Exchange traded funds	81,122,532	81,122,532	-	-	-
Limited partnerships	145,657,346	-	-	-	145,657,346
Mutual funds	12,524,748	12,524,748	-	-	-
Stocks	648,675,409	646,666,249	-	2,009,160	-
Fixed income:					
Bond trust fund	165,387,937	-	-	-	165,387,937
Corporate bonds	557,616,003	-	551,755,634	5,860,369	-
Government bonds	361,130,442	226,978,624	134,151,818	-	-
Limited partnerships	-	-	-	-	-
Mutual funds	-	-	-	-	-
Alternative investments:					
Hedged equities	204,571,864	-	-	-	204,571,864
Private equities	706,326,802	-	-	231,633	706,095,169
Real assets	325,748,291	-	-	-	325,748,291
Subtotal	$ 4,513,308,351	$ 1,249,188,133	$ 694,934,626	$ 8,101,162	$ 2,561,084,430

** Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table above is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Note 4. Investments and Fair Value of Financial Instruments (Continued)

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis in the consolidated statements of financial position as of June 30, 2021:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valued Using Net Asset Values ** (NAV)
Cash and cash equivalents:					
Cash and money market funds	$ 133,164,550	$ 133,164,550	$ -	$ -	$ -
Assets held for deferred compensation	3,036,259	3,036,259	-	-	-
Life income pooled investments	105,550,029	94,591,263	10,958,766	-	-
Global equities:					
Common trust funds	933,505,350	44,865,859	-	-	888,639,491
Exchange traded funds	69,208,179	69,208,179	-	-	-
Limited partnerships	162,914,809	-	-	-	162,914,809
Mutual funds	12,247,802	12,247,802	-	-	-
Stocks	1,354,661,008	1,352,483,235	207,500	1,970,273	-
Fixed income:					
Bond trust fund	255,476,523	-	-	-	255,476,523
Corporate bonds	702,514,383	-	691,397,345	11,117,038	-
Government bonds	284,654,397	84,447,816	200,206,581	-	-
Limited partnerships	123,523	-	-	-	123,523
Mutual funds	199,978,097	182,474,872	-	17,503,225	-
Alternative investments:					
Hedged equities	189,169,396	-	-	-	189,169,396
Private equities	466,663,941	-	-	1,200,728	465,463,213
Real assets	350,933,940	-	-	-	350,933,940
Subtotal	$ 5,223,802,186	$ 1,976,519,835	$ 902,770,192	$ 31,791,264	$ 2,312,720,895

** Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which at least one significant unobservable input is used in the valuation model. The tables below present a reconciliation of activity for the Level 3 financial instruments as of June 30, 2022 and 2021:

	2022 Stocks	2022 Corporate bonds	2022 Mutual Funds	2022 Private equity	2022 Total
Purchases	$ 130,240	$ 5,323,910	$ 13,895,818	$ -	$ 19,349,968
Settlements	(41,353)	(10,423,373)	(31,299,434)	(381,764)	(42,145,924)
Transfers out of level 3	-	-	-	-	-

	2021 Stocks	2021 Corporate bonds	2021 Mutual Funds	2021 Private equity	2021 Total
Purchases	$ -	$ 10,687,419	$ 135,250,630	$ -	$ 145,938,049
Settlements	(480,000)	(3,338,960)	(117,981,723)	(212,401)	(122,013,084)
Transfers out of level 3	(462,021)	-	-	120,001	(342,020)

The Foundation does not utilize any significant unobservable inputs as part of the fair-value measurement process for the Level 3 investments.

Note 4. Investments and Fair Value of Financial Instruments (Continued)

The table below presents the Foundation's ability to redeem investments valued at net asset value or its equivalent as of June 30, 2022 and 2021, and includes the underlying investment entities' redemption frequency and redemption notice period. The table also includes a summary of the significant categories of such investments measured at net asset value, their attributes and investment strategies as of June 30, 2022 and 2021:

Investment Category and Strategy	2022 Fair Value	2022 Unfunded Commitments	2021 Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds (a)	$ 204,571,864	$ -	$ 189,169,396	Monthly - semi-annually	30 - 90 days
Limited partnership funds (b)	706,095,169	744,563,639	465,463,213	N/A	N/A
Real asset funds (c)	325,748,291	216,167,778	350,933,940	N/A	N/A
Fixed income (d)	165,387,937	-	255,600,046	Daily - monthly	< 30 days
Global equities (e)	1,159,281,169	-	1,051,554,300	Daily - monthly	< 30 days
	$ 2,561,084,430	$ 960,731,417	$ 2,312,720,895		

(a) Composed of various direct investments in hedge funds. Investments with fair values comprising 0.24% and 0.44% of the fair value of this category as of June 30, 2022 and 2021, respectively, cannot be redeemed due to certain restrictions. Specifically, either the funds represented are in liquidation, or the remaining balance is held in an illiquid side pocket. It is reasonable to assume that those investments with restrictions will be materially liquidated during the next five years.

(b) Composed of limited partnership funds that employ various strategies and are broadly categorized as either opportunistic, buyout, venture capital, or energy. These investments cannot be redeemed. The funds provide distributions only upon liquidation of the underlying assets. These funds are expected to be materially liquidated during the next 10 years.

(c) Composed of various real asset funds that primarily employ tactical or opportunistic strategies. These investments cannot be redeemed. The funds provide distributions only upon liquidation of the underlying assets. These funds are expected to be materially liquidated during the next 10 years.

(d) Composed of limited partnership funds and bond trust funds that invest in various short-term and traditional publicly traded fixed income securities and like assets. Full liquidation terms are less than 30 days for the underlying assets.

(e) Composed of limited partnership funds and common trust funds that invest in various traditional publicly traded equity securities and like assets. Full liquidation terms are less than 30 days for the underlying assets.

Note 5. Property and Equipment

A summary of property and equipment as of June 30, 2022 and 2021, follows:

	2022	2021
Buildings	$ 13,763,468	$ 13,729,188
Land improvements	1,175,358	1,210,316
Exhibits	1,894,738	1,894,738
Office furniture and equipment	2,357,907	2,347,083
Computer hardware and software	12,086,838	11,628,396
Automobiles and trucks	102,107	102,107
Leasehold improvements	787,222	787,222
Construction in process	2,385,322	320,197
	34,552,960	32,019,247
Less accumulated depreciation and amortization	(20,957,364)	(18,869,559)
	13,595,596	13,149,688
Land	502,530	502,530
	$ 14,098,126	$ 13,652,218

Note 6. Split-Interest Agreements

A summary of assets held and the obligations related to split-interest agreements as of June 30, 2022 and 2021, follows:

	2022	2021
Assets (included in investments):		
Charitable remainder trusts and other	$ 65,093,165	$ 77,837,405
Pooled income funds	1,906,683	2,335,305
Charitable gift annuities	23,186,771	27,056,092
Retained life estates	1,922,700	1,922,700
	$ 92,109,319	$ 109,151,502

	2022	2021
Liabilities under split-interest agreements:		
Charitable remainder trusts and other	$ 29,071,919	$ 35,054,680
Pooled income funds	351,872	449,882
Charitable gift annuities	10,798,005	10,917,284
Retained life estates	423,274	403,782
	$ 40,645,070	$ 46,825,628

Charitable gift annuity assets are separate and distinct funds, managed as independent accounts of the Foundation. The Foundation maintains reserves and a surplus of such reserves in an amount at least equal to the designated beneficiary payments on all the outstanding gift annuity contracts. These reserves shall not be applied for the payment of debts and obligations of the Foundation or for any purpose other than payment of the annuity benefits.

Note 7. Funds Due to Other Organizations

The FASB has established accounting standards for transactions in which a foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. The guidance specifically requires that if a nonprofit organization establishes a fund at a foundation with its own funds and specifies itself as the beneficiary of that fund, the foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as funds due to other organizations.

The University of Wisconsin Hospitals and Clinics Authority Fund (Authority) was established whereby the Foundation will receive and invest funds on behalf of the Authority. The sole purpose of the fund is to aid the Authority in its teaching, research, health-care delivery, and public-service roles. The principal balance and income earned are to be accumulated within this fund. As of June 30, 2022 and 2021, the fair value of the funds due to the Authority was $162,860,267 and $220,716,234, respectively.

The University of Wisconsin-Stevens Point Foundation (UWSPF) Fund was established in 2006 whereby the Foundation will receive and invest funds on behalf of UWSPF. The sole purpose of the fund is to provide UWSPF with the opportunity to take advantage of the investment resources of the Foundation. As of June 30, 2022 and 2021, the fair value of funds due to UWSPF was $56,287,544 and $58,252,127, respectively.

A number of additional funds established by the Foundation hold amounts due to other organizations for varying purposes. As of June 30, 2022 and 2021, the fair value of additional funds due to other organizations was $13,256,457 and $17,698,670, respectively.

Note 8. Endowments

The Foundation's endowment consisted of 4,661 and 4,456 individual permanently restricted funds as of June 30, 2022 and 2021, respectively. These funds were established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and on state law.

Interpretation of relevant law: The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit or implicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as endowment net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 8. Endowments (Continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The Foundation's endowment net asset composition by type of fund is as follows for the years ended June 30, 2022 and 2021:

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted	$ -	$ 2,397,244,918	$ 2,397,244,918
Board-designated	6,293,801	-	6,293,801
Total funds	$ 6,293,801	$ 2,397,244,918	$ 2,403,538,719

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted	$ -	$ 2,724,895,974	$ 2,724,895,974
Board-designated	7,409,667	-	7,409,667
Total funds	$ 7,409,667	$ 2,724,895,974	$ 2,732,305,641

Note 8. Endowments (Continued)

The changes in endowment net asset for the Foundation were as follows for the years ended June 30, 2022 and 2021:

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 7,409,667	$ 2,724,895,974	$ 2,732,305,641
Total investment loss	(790,358)	(300,715,343)	(301,505,701)
Contributions	-	87,939,119	87,939,119
Appropriation of endowment assets for expenditure	(294,161)	(109,512,395)	(109,806,556)
Institutional advancement fee	(74,389)	(27,667,810)	(27,742,199)
Transfers in for matching program	-	11,407,104	11,407,104
Net transfer to/from endowment funds	43,042	10,898,269	10,941,311
Endowment net assets, end of year	$ 6,293,801	$ 2,397,244,918	$ 2,403,538,719

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 25,633,831	$ 2,087,476,002	$ 2,113,109,833
Total investment gain	1,595,607	603,046,857	604,642,464
Contributions	-	81,854,088	81,854,088
Appropriation of endowment assets for expenditure	(267,025)	(100,370,139)	(100,637,164)
Institutional advancement fee	(62,271)	(23,473,213)	(23,535,484)
Transfers in for matching program	(19,067,564)	55,492,416	36,424,852
Net transfer to/from endowment funds	(422,911)	20,869,963	20,447,052
Endowment net assets, end of year	$ 7,409,667	$ 2,724,895,974	$ 2,732,305,641

Note 8. Endowments (Continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature existed in approximately 1,300 donor-restricted endowment funds at June 30, 2022, which together have an original gift value of $530,662,257, a current fair value of $500,756,877, and a deficiency of $29,905,897. At June 30, 2021, deficiencies existed in 13 donor-restricted endowment funds, which together had an original gift value of $3,746,829, a current fair value of $2,927,360, and a deficiency of $819,469. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriation that was deemed prudent by the Board of Directors.

The Foundation has a policy that permits spending from underwater endowment funds unless otherwise precluded by donor intent or relevant laws and regulations. However, the Foundation evaluates underwater funds on a case-by-case basis and will cease appropriation if deemed prudent.

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. The Foundation expects its endowment funds, over time, to provide an average rate of return commensurate with spending, inflation, and expenses annually. Actual returns in any given year will vary.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Foundation’s spending policy appropriates 4.5% of the Endowment Fund value for distribution. Distributions are calculated on a quarterly basis, by applying ¼ of 4.5% to the previous rolling 16 quarter average of the Endowment Fund value. In establishing its spending policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate consistent with core inflation. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Funds transferred to or for UW-Madison during the year may include a combination of endowment funds available for distribution at the beginning of the year and funds made available as a result of current-year spending-policy allocations. Transfers may also include funds available within endowment funds that are not permanently restricted by the donor and other callable funds accounts.

Note 9. Lease Obligations

The Foundation has several operating lease agreements for buildings, automobiles, and equipment that expire at various dates through November 2035. Total expense for operating leases was $888,692 and $870,140 for the years ended June 30, 2022 and 2021, respectively.

Note 9. Lease Obligations (Continued)

Future minimum lease payments as of June 30, 2022, are as follows:

Years ending June 30,	
2023	$ 796,362
2024	327,444
2025	279,180
2026	250,749
2027	207,132
Thereafter	1,961,004
	$ 3,821,871

Note 10. Commitments

The Foundation entered into investment agreements and has the following outstanding investment commitments as of June 30, 2022 and 2021:

	2022	2021
Limited partnerships	$ 706,972,378	$ 416,323,686
Real asset funds	196,826,953	209,579,822
	$ 903,799,331	$ 625,903,508

The above outstanding commitments include only those entered into in U.S. dollars.

As of June 30, 2022 and 2021, the Foundation entered into investment agreements and has the following outstanding investment commitments in foreign currency:

	2022		2021	
	Original total commitment in foreign currency	Outstanding commitment remaining (U.S. dollars)	Original total commitment in foreign currency	Outstanding commitment remaining (U.S. dollars)
Limited partnerships	25,800,000 (Pounds)	$ 6,915,796	25,800,000 (Pounds)	$ 9,931,321
Limited partnerships	46,060,000 (Euro)	30,675,465	26,900,000 (Euro)	16,539,637
Real Asset Funds	30,000,000 (Euro)	19,340,825	30,000,000 (Euro)	26,778,516
		$ 56,932,086		$ 53,249,474

Note 11. Major Contributions

For the years ended June 30, 2022 and 2021, significant contributions received by the Foundation were as follows:

	Percent of Total Pledge Receivables		Percent of Total Contributions	
	Year Ended June 30,		Year Ended June 30,	
	2022	2021	2022	2021
Source A	*	*	13%	12%
Source B	*	*	*	14%

* Less than 10% of total assets or contributions.

Note 12. Functional Expense

Expenses related to the Foundation's operations for the years ended June 30, 2022 and 2021, are summarized as follows:

	2022			
	Program Expenses	Fundraising Expenses	Management and General Expenses	Total Expenses
Payments to or for University	$ 272,226,114	$ -	$ -	$ 272,226,114
Salaries	-	16,374,356	10,628,982	27,003,338
Employee benefits	-	3,719,427	2,046,759	5,766,186
Bad debt expense (unfulfilled pledges)	-	-	5,411,568	5,411,568
Information technology	-	2,140,468	1,389,222	3,529,690
Agency transfer expense	-	-	3,448,786	3,448,786
Professional services	-	1,299,758	1,069,441	2,369,199
Conferences, conventions, and meetings	-	2,248,641	-	2,248,641
Office expenses	-	1,507,618	730,461	2,238,079
Depreciation	-	1,286,862	835,333	2,122,195
Payroll taxes	-	1,207,612	789,185	1,996,797
Advertising and promotion	-	1,519,251	-	1,519,251
Occupancy	-	588,552	382,043	970,595
Insurance	-	368,724	239,347	608,071
Travel	-	300,289	113,170	413,459
Income tax expense	-	-	349,915	349,915
All other expenses	-	18,075	34,381	52,456
	$ 272,226,114	$ 32,579,633	$ 27,468,593	$ 332,274,340

	2021			
	Program Expenses	Fundraising Expenses	Management and General Expenses	Total Expenses
Payments to or for University	$ 305,424,681	$ -	$ -	$ 305,424,681
Salaries	-	15,513,319	8,947,134	24,460,453
Loss on guarantee	-	-	7,073,000	7,073,000
Employee benefits	-	3,278,342	2,607,123	5,885,465
Bad debt expense (unfulfilled pledges)	-	-	5,495,371	5,495,371
Information technology	-	1,771,678	1,021,618	2,793,296
Depreciation	-	1,390,064	801,704	2,191,768
Office expenses	-	1,391,706	617,500	2,009,206
Payroll taxes	-	1,051,698	640,688	1,692,386
Professional services	-	843,919	730,145	1,574,064
Advertising and promotion	-	1,246,692	-	1,246,692
Occupancy	-	526,721	303,672	830,393
Income tax expense	-	-	509,624	509,624
Insurance	-	297,250	171,436	468,686
Conferences, conventions, and meetings	-	243,717	20,472	264,189
Travel	-	23,444	10,461	33,905
All other expenses	-	9,030	5,208	14,238
	$ 305,424,681	$ 27,587,580	$ 28,955,156	$ 361,967,417

Note 13. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2022	2021
Subject to expenditure for specified purpose:		
Including endowment earnings subject to endowment spending policy and appropriation:		
Endowed chairs/professorships	$ 221,040,112	$ 365,975,915
Research and programs	603,499,011	712,043,658
Undergraduate-student financial support	222,045,723	307,088,423
Graduate-student financial support	88,421,641	125,735,735
Faculty support	24,328,768	30,036,192
Building and grounds	205,847,951	185,616,643
Public service	24,636,585	28,795,230
Research equipment	3,392,699	4,106,663
Unit level discretionary	618,396,751	645,152,211
Professional-student support	54,213,692	77,472,821
Other	186,703,339	255,091,961
	2,252,526,272	2,737,115,452
Endowments:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity:		
Endowed chairs/professorships	714,541,303	675,623,772
Research and programs	546,041,803	528,410,414
Undergraduate-student financial support	391,593,040	367,273,667
Graduate-student financial support	194,421,677	180,589,119
Faculty support	43,456,724	42,636,109
Building and grounds	3,548,892	3,362,960
Public service	19,909,159	20,979,422
Research equipment	2,516,782	2,516,782
Unit level discretionary	157,488,565	107,666,332
Professional-student support	94,773,271	82,336,867
Other	6,038,971	59,062,425
	2,174,330,187	2,070,457,869
	$ 4,426,856,459	$ 4,807,573,321

Note 13. Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors:

	2022	2021
Purpose restrictions accomplished:		
Endowed chairs/professorships	$ 3,547,344	$ 3,387,642
Research and programs	61,855,196	63,003,511
Undergraduate-student financial support	10,851,679	12,000,761
Graduate-student financial support	3,232,150	2,774,684
Faculty support	883,546	1,110,732
Building and grounds	14,419,171	45,481,989
Public service	2,727,240	3,122,317
Research equipment	4,332	51,543
Unit level discretionary	81,183,798	84,473,789
Professional-student support	3,270,775	2,921,591
Other	21,039,705	29,794,176
	203,014,936	248,122,735
Release of appropriated endowment amounts with purpose restrictions:		
Endowed chairs/professorships	32,505,145	25,956,325
Research and programs	34,036,233	29,426,520
Undergraduate-student financial support	23,068,786	20,402,213
Graduate-student financial support	9,671,345	10,490,807
Faculty support	1,976,779	2,473,740
Building and grounds	58,316	86,043
Public service	1,198,025	1,333,656
Research equipment	175,935	60,297
Unit level discretionary	7,436,510	3,672,679
Professional-student support	5,538,520	5,897,929
Other	289,190	3,311,762
	115,954,784	103,111,971
	$ 318,969,720	$ 351,234,706

Note 14. Related-Party Transactions

In addition to the amounts and transactions disclosed in the preceding notes and consolidated financial statements, the following is a summary or related-party transactions. These transactions have been summarized below by financial statement classification as reported in the consolidated statements of activities and consolidated statements of financial position. Related parties include affiliates, Board of Directors, management, and members of their immediate families.

Contribution and pledges receivable: Gifts, including new pledge commitments, received from identified related parties for the years ended June 30, 2022 and 2021, were $7,458,098 and $6,237,892, respectively. Pledges receivable at June 30, 2022 and 2021, include $23,275,036 and $25,560,711 of amounts due from related parties.

Investments: The Foundation owns partnership interests in investments held as of June 30, 2022 and 2021, valued at $37,416,149 and $36,313,587, respectively, wherein a related party is a general partner. The nature of these relationships, including associated fees, are disclosed to, reviewed and approved by Foundation management and the Investment Committee of the Board of Directors.