

University of Wisconsin Foundation

Financial Report
June 30, 2024

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Independent Auditor's Report

Board of Directors
University of Wisconsin Foundation

Opinion

We have audited the accompanying financial statements of the University of Wisconsin Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities and cash flows for the years then ended, and the related notes to 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, 2024 and 2023, 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

Madison, Wisconsin
December 12, 2024

University of Wisconsin Foundation

Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 12,675,491	\$ 20,377,383
Income and redemption receivables	162,479,749	46,172,986
Estate and trust gifts receivable	13,826,522	23,854,961
Prepaid expenses	4,440,519	2,164,092
Pledges receivable, net	144,152,080	72,167,885
Investments at fair value	5,427,908,123	5,042,202,824
Other investments	17,000,000	24,500,000
Property and equipment, net	20,165,343	21,084,289
Operating lease right-of-use assets	3,021,230	3,021,152
Other assets	3,930,478	3,427,770
Total assets	\$ 5,809,599,535	\$ 5,258,973,342
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 16,180,351	\$ 6,633,486
Pending investment purchases payable	1,923,039	49,805,680
Accrued expenses and other payables	9,827,666	10,868,664
Operating lease liabilities	2,624,704	3,006,527
Deferred compensation	5,561,579	7,715,523
Liability under split-interest agreements	42,869,731	39,687,483
Funds due to other organizations	292,270,221	257,496,470
Total liabilities	371,257,291	375,213,833
Net assets:		
Without donor restrictions	216,940,298	155,178,205
With donor restrictions	5,221,401,946	4,728,581,304
Total net assets	5,438,342,244	4,883,759,509
Total liabilities and net assets	\$ 5,809,599,535	\$ 5,258,973,342

See notes to financial statements.

University of Wisconsin Foundation

Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions	\$ 2,093,568	\$ 471,403,717	\$ 473,497,285
Provision for uncollectible pledges	-	(3,773,086)	(3,773,086)
Investment return, net of fees	81,233,861	519,715,880	600,949,741
Other income	3,047,835	2,121,623	5,169,458
Reclassifications of net assets due to changes in donor restrictions	(383,695)	383,695	-
Net assets released from restrictions	497,031,187	(497,031,187)	-
Total support and other revenue	583,022,756	492,820,642	1,075,843,398
Expenses:			
Payments to or for University of Wisconsin	456,253,257	-	456,253,257
Fundraising expenses	40,580,721	-	40,580,721
Management and general expenses	24,426,685	-	24,426,685
Total expenses	521,260,663	-	521,260,663
Change in net assets	61,762,093	492,820,642	554,582,735
Net assets, beginning of year	155,178,205	4,728,581,304	4,883,759,509
Net assets, end of year	<u>\$ 216,940,298</u>	<u>\$ 5,221,401,946</u>	<u>\$ 5,438,342,244</u>

See notes to financial statements.

University of Wisconsin Foundation

**Statement of Activities
Year Ended June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions	\$ 7,381,648	\$ 343,941,347	\$ 351,322,995
Investment return, net of fees	39,805,374	334,362,955	374,168,329
Other income	3,176,586	1,115,608	4,292,194
Reclassifications of net assets due to changes donor restrictions	(4,695,182)	4,695,182	-
Net assets released from restrictions	382,390,247	(382,390,247)	-
Total support and other revenue	428,058,673	301,724,845	729,783,518
Expenses:			
Payments to or for University of Wisconsin	339,979,657	-	339,979,657
Fundraising expenses	36,668,153	-	36,668,153
Management and general expenses	19,350,448	-	19,350,448
Total expenses	395,998,258	-	395,998,258
Change in net assets	32,060,415	301,724,845	333,785,260
Net assets, beginning of year	123,117,790	4,426,856,459	4,549,974,249
Net assets, end of year	<u>\$ 155,178,205</u>	<u>\$ 4,728,581,304</u>	<u>\$ 4,883,759,509</u>

See notes to financial statements.

University of Wisconsin Foundation

Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 554,582,735	\$ 333,785,260
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation of property and equipment	3,245,814	2,332,182
Amortization of right-of-use assets	713,588	660,182
Change in discount on pledges receivable	12,962,778	(1,073,674)
Change in allowance on pledges receivable	3,351,014	(3,478,688)
Net investment gains	(561,306,119)	(340,228,241)
Realized gains on sales of real estate	-	(312,697)
Realized losses on sales of property and equipment	593,071	12,673
Contributions to endowment funds	(62,727,832)	(74,995,409)
Contributions of real estate	(35,800)	(373,000)
Changes in operating assets and liabilities:		
Income and redemption receivables	8,175,814	1,632,350
Estate and trust gifts receivable	10,028,439	18,379,813
Prepaid expenses	(2,276,427)	410,188
Pledges receivable	(91,330,382)	28,262,696
Other assets	(484,877)	(29,854)
Accounts payable	9,546,865	(2,442,377)
Accrued expenses and other payables	(1,040,998)	1,263,157
Deferred compensation	(2,153,944)	(434,104)
Change in value of split-interest agreements	6,310,977	3,843,563
Funds due to other organizations	3,440,061	3,551,074
Operating lease liabilities	(1,095,489)	(674,807)
Net cash used in operating activities	(109,500,712)	(29,909,713)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	5,247,348,993	5,937,215,329
Purchase of investments	(5,205,279,701)	(6,092,803,051)
Proceeds from sale of real estate	-	2,607,877
Purchase of property and equipment	(2,901,970)	(9,331,018)
Net cash provided by (used in) investing activities	39,167,322	(162,310,863)
Cash flows from financing activities:		
Proceeds from contributions to endowment funds	65,760,227	79,886,413
Proceeds from split-interest agreement obligations	2,193,607	1,127,987
Payments on split-interest agreement obligations	(5,322,336)	(5,929,137)
Net cash provided by financing activities	62,631,498	75,085,263
Net decrease in cash and cash equivalents	(7,701,892)	(117,135,313)
Cash and cash equivalents, beginning of year	20,377,383	137,512,696
Cash and cash equivalents, end of year	\$ 12,675,491	\$ 20,377,383

See notes to financial statements.

University of Wisconsin Foundation

Notes to 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.

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, 2024 and 2023, none of the Foundation's callable funds were restricted in perpetuity by a donor.

Endowment funds: At June 30, 2024 and 2023, there were 6,303 and 6,155 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, 2024 and 2023, there were 274 and 260 charitable trusts (Life Income and Life Estate Accounts), respectively, that have been created for and trustee 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 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 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.

At June 30, 2024 and 2023, the Foundation had \$49,001,097 and \$45,324,872, 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, \$7,193,164 and \$6,627,959, respectively, of those net assets without donor restrictions function as board-designated endowment funds at June 30, 2024 and 2023.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

University of Wisconsin Foundation

Notes to Financial Statements

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

The Foundation has presented its assets and liabilities on the 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 has not experienced any losses in such accounts and management does not believe that it is exposed to any significant credit risk.

Income and redemption receivables: Income receivable represents interest and dividends due to the Foundation as of June 30, 2024 and 2023. Interest income is recognized on the accrual basis and dividend income is recognized on the ex-dividend date. As of June 30, 2024 and 2023, the Foundation had \$9,628,967 and \$9,951,183, respectively, of income receivables.

As of June 30, 2024 and 2023, \$152,850,782 and \$36,221,803, respectively, 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, which were redeemed but not yet received by the Foundation at year-end.

Estate and trust gifts receivable: Assets contributed by donors under charitable remainder trust agreements and controlled by third parties are recognized at fair value based on the present value of the estimated future distributions to be received by the Foundation during the term of the agreement. The Foundation recorded contribution revenue related to beneficial interests in irrevocable remainder trusts of approximately \$8,300,000 and \$11,400,000 for the years ended June 30, 2024 and 2023, respectively. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the Foundation are recognized within contributions on the statements of activities. The change in fair value of beneficial interests in irrevocable remainder trusts totaled approximately \$100,000 and \$4,300,000 for the fiscal years ended June 30, 2024 and 2023, respectively.

This account also includes other estate gift receivables, which are valued at the expected settlement amount. Estate gifts are recognized as contribution revenue and receivable when the probate court declares the will valid and a final accounting for the estate is provided.

A summary of assets where the Foundation is the beneficiary and an unrelated third-party is the trustee as of June 30, 2024 and 2023, follows:

	2024	2023
Beneficial interest in irrevocable remainder trusts	\$ 10,187,125	\$ 12,734,635
Estate gifts receivable and other	3,639,397	11,120,326
	<u>\$ 13,826,522</u>	<u>\$ 23,854,961</u>

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 6.10% as of June 30, 2024, and 1.29% to 6.67% as of June 30, 2023.

University of Wisconsin Foundation

Notes to Financial Statements

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

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 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 financial statements.

Other investments: The Foundation invests in certain companies that do not have readily determinable fair value. The Foundation has elected to account for these investments under the measurement alternative in accordance with Accounting Standards Codification 321, Investments—Equity Securities, which allows the investments to be recorded at cost, with adjustments for impairment and observable price changes for identical or similar investments. Factors considered in making the adjustments for observable price changes include third-party valuations, and recent financing by the companies. Adjustments for impairment or observable price changes are included in investment return, net of fees in the statements of activities. The amount of downward adjustments for impairment totaled \$7,500,000 for the year ended June 30, 2024, and \$7,500,000 for the year ended June 30, 2023.

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.

University of Wisconsin Foundation

Notes to Financial Statements

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

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.

Property and equipment: Property and equipment is 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	10 to 39 years
Land improvements	10 to 15 years
Exhibits	5 to 15 years
Office furniture and equipment	5 to 15 years
Computer hardware and software	5 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.

Management reviews long-lived assets for possible impairment if there is a significant event that detrimentally affects operations. The primary financial indicator used by the Foundation to assess the recoverability of its long-lived assets held and used is undiscounted future cash flows from operations. The amount of impairment, if any, is measured based on estimated fair value or projected future cash flows using a discount rate reflecting the Foundation's average cost of funds. Management has not identified any triggering events during the years ended June 30, 2024 and 2023.

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, which 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 statements of activities as net assets released from restrictions.

University of Wisconsin Foundation

Notes to Financial Statements

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

Functional allocation of expenses: The 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 classified, first, directly based on type of services provided within each department and their related expenses. Expenses that are attributable to both management and general and fundraising are allocated based upon the salary expense associated with management and general and fundraising, respectively, as a percentage of the total salary expense.

Split-interest agreements: The Foundation records life income assets received for which they are the trustee 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 statements of financial position. The liability is calculated using the Table 2010CM from IRS Publication 1457: Annuities, Life Estates and Remainders and the IRS discount rate for each gift ranging from 0.4% to 10.3% as of June 30, 2024 and 2023. 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 \$2,995,620 and \$1,191,952 for the years ended June 30, 2024 and 2023, respectively, related to these agreements. Life income assets are included in investments in the accompanying 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, where the Foundation is the trustee, 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.

Investment expenses are netted against investment return and reported within the related net asset category.

University of Wisconsin Foundation

Notes to Financial Statements

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

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 one-fourth of 1% to the prior quarter's ending market value of the Endowment Fund. For the years ended June 30, 2024 and 2023, the total amount assessed to the Endowment Fund was \$39,303,416 and \$35,466,273, respectively. While the majority of the total fee recorded is eliminated during the financial statement preparation, fees related to funds held in agency status are recorded as other income in the statements of activities. Institutional advancement fees recorded on agency funds during the years ended June 30, 2024 and 2023, were \$2,574,669 and \$2,286,529, 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. 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.

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 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. Any tax benefits recognized in the 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.

Leases: The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation made an accounting policy election available under Topic 842 to not recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease or July 1, 2022, for existing leases upon the adoption of Topic 842. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date, and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Subsequent events: Management of the Foundation has evaluated subsequent events through December 12, 2024, which is the date the financial statements were available to be issued, for possible measurement and/or disclosure effects on the financial statements.

University of Wisconsin Foundation

Notes to Financial Statements

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

On October 1, 2024, the Foundation entered into a new line of credit agreement that expires October 1, 2026. The agreement provides for a credit facility of up to \$50,000,000. The line of credit bears interest at a variable rate based on the CME Term SOFR 1 Month rate plus 0.95%. Interest is payable monthly, and payment of principal and any outstanding interest is due upon maturity.

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.

As of June 30, 2024 and 2023, the following financial assets are available to meet general expenditures within one year:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 12,675,491	\$ 20,377,383
Income and redemption receivables	162,479,749	46,172,986
Estate and trust gifts receivable	13,826,522	23,854,961
Pledges receivable, net	144,152,080	72,167,885
Investments at fair value	5,427,908,123	5,042,202,824
Other investments	17,000,000	24,500,000
Other (financial) assets	3,858,740	3,373,863
Total financial assets	5,781,900,705	5,232,649,902
Less amounts not available to be used within one year:		
Donor-restricted net assets	5,221,401,946	4,728,581,304
Board-designated net assets	49,001,097	45,324,872
Funds due to other organizations	292,270,221	257,496,470
Investments held under deferred compensation arrangements	3,238,833	2,694,798
Financial assets not available to be used within one year	5,565,912,097	5,034,097,444
Financial assets available to meet general expenditures within one year	\$ 215,988,608	\$ 198,552,458

University of Wisconsin Foundation

Notes to Financial Statements

Note 3. Pledges Receivable

A summary of the pledges receivable (unconditional promises to give) as of June 30, 2024 and 2023, is as follows:

	2024	2023
Unconditional promises to give before unamortized discount and allowance for uncollectible pledges	\$ 168,075,641	\$ 79,777,654
Less unamortized discount	(16,232,471)	(3,269,693)
	151,843,170	76,507,961
Less allowance for uncollectible pledges	(7,691,090)	(4,340,076)
	<u>\$ 144,152,080</u>	<u>\$ 72,167,885</u>
	2024	2023
Amounts due in:		
Less than one year	\$ 29,694,885	\$ 21,385,673
One to five years	116,088,082	56,652,176
More than five years	22,292,674	1,739,805
	168,075,641	79,777,654
Less unamortized discount and allowance for uncollectible pledges	(23,923,561)	(7,609,769)
	<u>\$ 144,152,080</u>	<u>\$ 72,167,885</u>

At June 30, 2024, the Foundation did not have any conditional pledges outstanding. At June 30, 2023, the Foundation had \$50,000,000 and \$15,000,000 pledges outstanding that were conditional upon raising an equal amount of matching funds from private sources. The contributions were recognized as of June 30, 2024, when the matches were fully met.

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.

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

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, 2024 and 2023, 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.

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.

University of Wisconsin Foundation

Notes to Financial Statements

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

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 trustee 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.

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 statements of financial position as of June 30, 2024:

	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 equivalents and money market funds	\$ 68,283,167	\$ 68,283,167	\$ -	\$ -	\$ -
Assets held for deferred compensation	3,238,833	3,238,833	-	-	-
Life income pooled investments:					
Mutual funds	88,068,903	88,068,903	-	-	-
Common stock	7,505,420	7,505,420	-	-	-
U.S. Government issues	1,013,644	1,013,644	-	-	-
Money market funds	3,878,868	-	3,878,868	-	-
Global equities:					
Common trust funds	2,594,676,030	-	-	-	2,594,676,030
Exchange traded funds	30,835,316	30,835,316	-	-	-
Limited partnerships	126,598,800	-	-	-	126,598,800
Mutual funds	8,757,290	8,757,290	-	-	-
Stocks	137,946,012	135,936,852	-	2,009,160	-
Fixed income:					
Corporate bonds	594,804,167	-	588,590,293	6,213,874	-
Government bonds	171,703,026	40,685,504	131,017,522	-	-
Mutual funds	5,446,572	5,446,572	-	-	-
Alternative investments:					
Hedged equities	67,051,512	-	-	-	67,051,512
Private equities	1,131,069,928	-	-	22,760,558	1,108,309,370
Real assets	376,680,877	-	-	-	376,680,877
Convertible notes	10,349,758	-	-	10,349,758	-
Investments subtotal	5,427,908,123	389,771,501	723,486,683	41,333,350	4,273,316,589
Beneficial interest in irrevocable remainder trusts (Note 1)	10,187,125	-	-	10,187,125	-
Total assets carried at fair value	\$ 5,438,095,248	\$ 389,771,501	\$ 723,486,683	\$ 51,520,475	\$ 4,273,316,589

University of Wisconsin Foundation

Notes to Financial Statements

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 statements of financial position as of June 30, 2023:

	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 equivalents and money market funds	\$ 139,255,205	\$ 139,255,205	\$ -	\$ -	\$ -
Assets held for deferred compensation	2,694,798	2,694,798	-	-	-
Life income pooled investments:					
Mutual funds	79,827,498	79,827,498	-	-	-
Common stock	7,717,711	7,717,711	-	-	-
U.S. Government issues	864,221	864,221	-	-	-
Money market funds	2,746,285	-	2,746,285	-	-
Global equities:					
Common trust funds	1,825,455,018	-	-	-	1,825,455,018
Exchange traded funds	120,844,461	120,844,461	-	-	-
Limited partnerships	178,123,050	-	-	-	178,123,050
Mutual funds	7,471,251	7,471,251	-	-	-
Stocks	441,757,697	439,748,537	-	2,009,160	-
Fixed income:					
Corporate bonds	593,370,172	-	588,865,348	4,504,824	-
Government bonds	278,503,493	109,578,832	168,924,661	-	-
Limited partnerships	1,090	-	-	-	1,090
Alternative investments:					
Hedged equities	233,161,174	-	-	-	233,161,174
Private equities	786,103,474	-	-	21,889,107	764,214,367
Real assets	344,306,226	-	-	-	344,306,226
Investments subtotal	5,042,202,824	908,002,514	760,536,294	28,403,091	3,345,260,925
Beneficial interest in irrevocable remainder trusts (Note 1)	12,734,635	-	-	12,734,635	-
Total assets carried at fair value	\$ 5,054,937,459	\$ 908,002,514	\$ 760,536,294	\$ 41,137,726	\$ 3,345,260,925

* 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 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, 2024 and 2023:

		2024				
		Global Equities Stocks	Fixed Income Corporate Bonds	Alternative Investments Private Equities	Alternative Investments Convertible Notes	Beneficial Interest in Irrevocable Trusts
Purchases/donations	\$ -	\$ 7,502,608	\$ 1,999,995	\$ 10,000,000	\$ 8,257,722	\$ 27,760,325
Settlements/distributions	-	(5,524,762)	-	-	(10,950,380)	(16,475,142)

University of Wisconsin Foundation

Notes to Financial Statements

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

	2023					
	Global Equities	Fixed Income	Alternative	Alternative	Beneficial	Total
	Stocks	Corporate Bonds	Private Equities	Convertible Notes	Interest in Irrevocable Trusts	
Purchases/donations	\$ -	\$ 4,451,032	\$ -	\$ -	\$ 11,370,974	\$ 15,822,006
Settlements/distributions	-	(5,896,684)	(84,519)	-	(40,756,575)	(46,737,778)
Transfers from NAV to Level 3	-	-	21,097,653	-	-	21,097,653

Certain investments were transferred from NAV into Level 3 at June 30, 2023, due to changes in valuation technique used to value the investments.

The table below presents the Foundation's ability to redeem investments valued at net asset value or its equivalent as of June 30, 2024 and 2023, 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, 2024 and 2023:

Investment Category and Strategy	2024		2023		Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
Alternative investments:						
Hedged equities (a)	\$ 67,051,512	\$ -	\$ 233,161,174	\$ -	Monthly—semiannually	30-90 days
Private equities (b)	1,108,309,370	818,517,464	764,214,367	759,792,434	N/A	N/A
Real assets (c)	376,680,877	199,807,123	344,306,226	208,738,378	N/A	N/A
Fixed income:						
Limited partnerships (d)	-	-	1,090	-	Daily—monthly	< 30 days
Global equities:						
Common trust funds and limited partnerships (e)	2,721,274,830	-	2,003,578,068	-	Daily—semiannually	0-90 days
	<u>\$ 4,273,316,589</u>	<u>\$ 1,018,324,587</u>	<u>\$ 3,345,260,925</u>	<u>\$ 968,530,812</u>		

- (a) Composed of various direct investments in hedge funds. The strategy involves a primary focus on investing in first lien secured loans in middle market companies, complemented by the acquisition of secured debt securities, including senior secured and secured loans, bonds and, to a lesser extent, stocks, warrants and other equity securities in both primary and secondary markets. Investments with fair values comprising 0.15% and 0.18% of the fair value of this category as of June 30, 2024 and 2023, 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.

University of Wisconsin Foundation

Notes to Financial Statements

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

- (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 investing in publicly traded equity securities and similar assets. Certain funds include gate provisions ranging from 12.5% to 50%. Mid-year full redemptions may be subject to holdbacks of 3% to 10%.

Note 5. Property and Equipment

A summary of property and equipment as of June 30, 2024 and 2023, follows:

	2024	2023
Buildings	\$ 15,476,513	\$ 16,334,188
Land improvements	1,175,358	1,175,358
Exhibits	1,894,738	1,894,738
Office furniture and equipment	2,568,324	2,427,626
Computer hardware and software	12,888,424	12,122,235
Automobiles and trucks	102,107	102,107
Leasehold improvements	986,152	986,152
Construction in process	496,962	8,820,955
	<u>35,588,578</u>	<u>43,863,359</u>
Less accumulated depreciation and amortization	<u>(15,925,765)</u>	<u>(23,281,600)</u>
	19,662,813	20,581,759
Land	502,530	502,530
	<u>\$ 20,165,343</u>	<u>\$ 21,084,289</u>

Note 6. Split-Interest Agreements

A summary of assets held and the obligations related to split-interest agreements where the Foundation is the trustee as of June 30, 2024 and 2023, follows:

	2024	2023
Assets:		
Charitable remainder trusts and other	\$ 72,030,451	\$ 66,491,980
Pooled income funds	785,748	937,611
Charitable gift annuities	27,694,385	24,972,808
	<u>\$ 100,510,584</u>	<u>\$ 92,402,399</u>
	2024	2023
Liabilities under split-interest agreements:		
Charitable remainder trusts and other	\$ 30,460,793	\$ 28,245,353
Pooled income funds	225,403	229,287
Charitable gift annuities	12,183,535	11,212,843
	<u>\$ 42,869,731</u>	<u>\$ 39,687,483</u>

University of Wisconsin Foundation

Notes to Financial Statements

Note 6. Split-Interest Agreements (Continued)

Charitable gift annuity assets are separate and distinct funds, managed as independent accounts of the Foundation. In addition, various states impose certain reserve requirements on gift annuities. 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. The value of these reserves is recorded in net assets with donor restrictions, and the value of the assets held for charitable gift annuities in excess of the reserves required by states is recorded in net assets without donor restrictions if there are no other donor restrictions. 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 Financial Accounting Standards Board 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 in the statements of financial position.

The University of Wisconsin Hospitals and Clinics Authority Fund (the 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, 2024 and 2023, the fair value of the funds due to the Authority was \$200,929,425 and \$178,415,873, 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, 2024 and 2023, the fair value of funds due to UWSPF was \$77,422,016 and \$64,761,635, respectively.

A number of additional funds established by the Foundation hold amounts due to other organizations for varying purposes. As of June 30, 2024 and 2023, the fair value of additional funds due to other organizations was \$13,918,780 and \$14,318,962, respectively.

Note 8. Endowments

The Foundation's endowments consisted of 4,973 and 4,836 individual permanently restricted funds as of June 30, 2024 and 2023, respectively. These funds were established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and on state law.

University of Wisconsin Foundation

Notes to Financial Statements

Note 8. Endowments (Continued)

Interpretation of relevant law: The board of directors of the Foundation has interpreted the State of Wisconsin's 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.

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, 2024 and 2023:

2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 2,893,698,535	\$ 2,893,698,535
Board-designated	7,193,164	-	7,193,164
Total funds	<u>\$ 7,193,164</u>	<u>\$ 2,893,698,535</u>	<u>\$ 2,900,891,699</u>
2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 2,606,204,476	\$ 2,606,204,476
Board-designated	6,627,959	-	6,627,959
Total funds	<u>\$ 6,627,959</u>	<u>\$ 2,606,204,476</u>	<u>\$ 2,612,832,435</u>

University of Wisconsin Foundation

Notes to Financial Statements

Note 8. Endowments (Continued)

The changes in endowment net assets for the Foundation were as follows for the years ended June 30, 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,627,959	\$ 2,606,204,476	\$ 2,612,832,435
Total investment gain	889,081	353,347,087	354,236,168
Contributions	-	62,727,832	62,727,832
Appropriation of endowment assets for expenditure	(304,317)	(120,801,140)	(121,105,457)
Institutional advancement fee	(67,625)	(26,788,944)	(26,856,569)
Transfers in for matching program	-	11,249,737	11,249,737
Net transfer to/from endowment funds	48,066	7,759,487	7,807,553
Endowment net assets, end of year	<u>\$ 7,193,164</u>	<u>\$ 2,893,698,535</u>	<u>\$ 2,900,891,699</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,293,801	\$ 2,397,244,918	\$ 2,403,538,719
Total investment gain	651,245	253,003,255	253,654,500
Contributions	-	74,995,409	74,995,409
Appropriation of endowment assets for expenditure	(299,380)	(115,704,200)	(116,003,580)
Institutional advancement fee	(63,202)	(24,365,942)	(24,429,144)
Transfers in for matching program	-	9,842,493	9,842,493
Net transfer to/from endowment funds	45,495	11,188,543	11,234,038
Endowment net assets, end of year	<u>\$ 6,627,959</u>	<u>\$ 2,606,204,476</u>	<u>\$ 2,612,832,435</u>

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 200 donor-restricted endowment funds at June 30, 2024, which together have an original gift value of \$69,986,174, a current fair value of \$67,175,168 and a deficiency of \$2,811,006. At June 30, 2023, deficiencies existed in approximately 600 donor-restricted endowment funds, which together had an original gift value of \$242,318,246, a current fair value of \$228,720,644 and a deficiency of \$13,597,602. 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.

University of Wisconsin Foundation

Notes to Financial Statements

Note 8. Endowments (Continued)

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 one-fourth 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 fund accounts.

Note 9. Leases

The Foundation leases real estate, vehicles and equipment under operating lease agreements that have initial terms ranging from one to 12 years. Some leases include one or more options to renew, generally at the Foundation's sole discretion, with renewal terms that can extend the lease term up to five years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Foundation, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Foundation will exercise that option. The Foundation's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The operating lease cost for the years ended June 30, 2024 and 2023, is \$739,480 and \$748,308, respectively.

University of Wisconsin Foundation

Notes to Financial Statements

Note 9. Leases (Continued)

Supplemental cash flow information related to leases is as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 771,760	\$ 767,094
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 713,666	\$ 58,139

Supplemental statement of financial position information related to leases is as follows as of June 30, 2024 and 2023:

	2024	2023
Weighted-average remaining lease term:		
Operating leases	10.2 years	10.1 years
Weighted-average discount rate:		
Operating leases	3.1%	2.9%

Future undiscounted cash flows for each of the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the statement of financial position, are as follows as of June 30, 2024:

Years ending June 30:		
2025		\$ 367,095
2026		333,087
2027		279,523
2028		273,379
2029		263,419
Thereafter		1,531,075
Total lease payments		3,047,578
Less imputed interest		(422,874)
Total present value of lease liabilities		<u>\$ 2,624,704</u>

Note 10. Commitments

The Foundation entered into investment agreements and has the following outstanding investment commitments as of June 30, 2024 and 2023:

	2024	2023
Limited partnerships	\$ 774,979,909	\$ 702,740,994
Real asset funds	165,895,515	166,814,038
	<u>\$ 940,875,424</u>	<u>\$ 869,555,032</u>

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

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Notes to Financial Statements

Note 10. Commitments (Continued)

As of June 30, 2024 and 2023, the Foundation entered into investment agreements and has the following outstanding investment commitments in foreign currency:

	2024		2023	
	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	41,711,621 (Pounds) \$	22,819,054	42,801,443 (Pounds) \$	27,411,814
Limited partnerships	46,540,000 (Euro)	20,718,501	46,900,000 (Euro)	29,639,626
Real Asset Funds	30,000,000 (Euro)	13,396,875	30,000,000 (Euro)	19,092,500
Real Asset Funds	3,300,000,000 (JPY)	20,514,733	3,300,000,000 (JPY)	22,831,840
		<u>\$ 77,449,163</u>		<u>\$ 98,975,780</u>

Note 11. Major Contributions

For the years ended June 30, 2024 and 2023, significant contributions, defined as greater than 10% of total contributions, received by the Foundation and significant pledge receivables, defined as greater than 10% of total pledge receivables, were as follows:

	Percent of Total Contributions		Percent of Total Pledges Receivable	
	Year Ended June 30		Year Ended June 30	
	2024	2023	2024	2023
Source A	10%	14%	*	*
Source B	16%	*	49%	14%
Source C	14%	*	*	*
Source D	*	*	11%	23%
Source E	*	*	*	13%

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Notes to Financial Statements

Note 12. Functional Expenses

Expenses related to the Foundation's operations for the years ended June 30, 2024 and 2023, are summarized as follows:

	2024			
	Program Expenses	Fundraising Expenses	Management and General Expenses	Total Expenses
Payments to or for University	\$456,253,257	\$ -	\$ -	\$456,253,257
Salaries	-	19,806,666	11,147,976	30,954,642
Employee benefits	-	4,349,351	2,926,923	7,276,274
Professional services	-	2,972,873	2,176,395	5,149,268
Information technology	-	2,989,412	1,682,286	4,671,698
Office expenses	-	2,037,468	1,534,115	3,571,583
Depreciation	-	2,048,792	1,153,141	3,201,933
Payroll taxes	-	1,512,310	861,346	2,373,656
Conferences, conventions and meetings	-	2,268,151	-	2,268,151
Income tax expense	-	-	1,846,187	1,846,187
Occupancy	-	1,161,456	653,375	1,814,831
Insurance	-	473,340	266,414	739,754
Travel	-	525,716	168,247	693,963
Advertising and promotion	-	413,975	-	413,975
All other expenses	-	21,211	10,280	31,491
	<u>\$456,253,257</u>	<u>\$ 40,580,721</u>	<u>\$ 24,426,685</u>	<u>\$521,260,663</u>

	2023			
	Program Expenses	Fundraising Expenses	Management and General Expenses	Total Expenses
Payments to or for University	\$339,979,657	\$ -	\$ -	\$339,979,657
Salaries	-	18,332,529	9,366,224	27,698,753
Employee benefits	-	3,725,743	2,280,800	6,006,543
Information technology	-	2,474,952	1,264,354	3,739,306
Professional services	-	1,794,082	1,198,869	2,992,951
Office expenses	-	1,869,821	656,244	2,526,065
Depreciation	-	1,543,563	788,619	2,332,182
Conferences, conventions and meetings	-	2,254,253	41,399	2,295,652
Payroll taxes	-	1,412,336	728,276	2,140,612
Advertising and promotion	-	1,552,446	1,064	1,553,510
Bad debt expense (unfulfilled pledges)	-	-	1,482,368	1,482,368
Occupancy	-	663,096	337,575	1,000,671
Income tax expense	-	-	780,442	780,442
Travel	-	561,840	178,361	740,201
Insurance	-	479,772	245,119	724,891
All other expenses	-	3,720	734	4,454
	<u>\$339,979,657</u>	<u>\$ 36,668,153</u>	<u>\$ 19,350,448</u>	<u>\$395,998,258</u>

University of Wisconsin Foundation

Notes to Financial Statements

Note 13. Net Assets With Donor Restrictions

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

	2024	2023
Subject to expenditure for specified purpose:		
Including endowment earnings subject to endowment spending policy and appropriation:		
Endowed chairs/professorships	\$ 345,635,118	\$ 268,792,301
Research and programs	760,536,754	667,323,586
Undergraduate-student financial support	303,742,463	262,153,472
Graduate-student financial support	134,678,276	112,549,069
Faculty support	33,408,155	28,217,079
Building and grounds	359,858,301	257,077,678
Public service	30,945,822	27,702,925
Research equipment	4,197,528	3,698,639
Department level discretionary	668,953,829	631,693,815
Professional-student support	68,790,951	58,110,355
Other	173,126,295	148,822,868
	<u>2,883,873,492</u>	<u>2,466,141,787</u>
Endowments:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity:		
Endowed chairs/professorships	754,560,007	738,993,164
Research and programs	571,732,361	559,352,612
Undergraduate-student financial support	439,597,782	408,452,097
Graduate-student financial support	222,890,908	217,897,234
Faculty support	47,830,671	46,020,527
Building and grounds	3,059,418	3,550,142
Public service	21,431,151	21,208,297
Research equipment	2,516,782	2,516,782
Department level discretionary	171,576,995	166,809,005
Professional-student support	96,017,176	91,499,852
Other	6,315,203	6,139,805
	<u>2,337,528,454</u>	<u>2,262,439,517</u>
	<u>\$ 5,221,401,946</u>	<u>\$ 4,728,581,304</u>

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Notes to Financial Statements

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:

	2024	2023
Purpose restrictions accomplished:		
Endowed chairs/professorships	\$ 13,588,025	\$ 2,969,989
Research and programs	71,794,675	59,936,192
Undergraduate-student financial support	19,863,588	13,162,779
Graduate-student financial support	7,646,118	3,397,565
Faculty support	2,212,397	1,589,265
Building and grounds	105,227,680	25,972,836
Public service	4,387,816	3,058,811
Research equipment	105,917	33,751
Department level discretionary	146,755,851	138,189,197
Professional-student support	3,651,016	3,021,330
Other	11,481,297	14,858,950
	<u>386,714,380</u>	<u>266,190,665</u>
Release of appropriated endowment amounts with purpose restrictions:		
Endowed chairs/professorships	31,739,247	34,673,791
Research and programs	27,349,315	31,870,448
Undergraduate-student financial support	22,932,114	22,596,191
Graduate-student financial support	10,806,300	10,151,194
Faculty support	2,551,730	2,171,683
Building and grounds	37,516	90,367
Public service	1,376,814	1,308,526
Research equipment	106,800	180,118
Department level discretionary	9,311,701	7,000,935
Professional-student support	4,097,674	6,066,010
Other	7,596	90,319
	<u>110,316,807</u>	<u>116,199,582</u>
	<u>\$ 497,031,187</u>	<u>\$ 382,390,247</u>

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Notes to Financial Statements

Note 14. Related-Party Transactions

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

Contribution and pledges receivable: Gifts, including new pledge commitments, received from identified UW System affiliates for the years ended June 30, 2024 and 2023, were \$21,738,870 and \$26,345,437, respectively. Pledges receivable at June 30, 2024 and 2023, include \$1,500,000 and \$3,000,000 of amounts due from UW System affiliates, respectively.

Gifts, including new pledge commitments, received from identified members of the Board of Directors, management and members of their immediate families for the years ended June 30, 2024 and 2023, were \$16,340,097 and \$5,785,729, respectively. Pledges receivable at June 30, 2024 and 2023, include \$3,921,839 and \$1,589,297 of amounts due from these parties, respectively.

Payments: Payments of \$11,187,751 and \$4,741,929 were made to UW System affiliates during the years ended June 30, 2024 and 2023, respectively.

Investments: As of June 30, 2023, the Foundation owned partnership interests in investments, wherein a related party was a general partner. The investments were valued at \$31,241,816 as of June 30, 2023. The nature of these relationships, including associated fees, were disclosed to, reviewed and approved by Foundation management and the Investment Committee of the Board of Directors.