



UNIVERSITY OF WASHINGTON FOUNDATION

Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

UNIVERSITY OF WASHINGTON FOUNDATION

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Independent Auditors' Report

The Executive Committee
University of Washington Foundation:

Opinion

We have audited the financial statements of University of Washington Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2024 and 2023, and 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 Foundation as of June 30, 2024 and 2023, and the changes in net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Auditors' 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 a 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.

KPMG LLP

Seattle, Washington
November 18, 2024

UNIVERSITY OF WASHINGTON FOUNDATION

Statements of Financial Position

June 30, 2024 and 2023

Assets	<u>2024</u>	<u>2023</u>
Current assets:		
Cash	\$ 448,509	423,463
Prepaid expenses	—	3,786
Grants receivable	<u>3,154,046</u>	<u>4,496,352</u>
Total current assets	<u>3,602,555</u>	<u>4,923,601</u>
Total assets	<u><u>\$ 3,602,555</u></u>	<u><u>4,923,601</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accrued expenses	\$ <u>38,500</u>	<u>—</u>
Total liabilities	<u>38,500</u>	<u>—</u>
Net assets:		
Net assets without donor restrictions	448,509	423,463
Net assets with donor restrictions	<u>3,115,546</u>	<u>4,500,138</u>
Total net assets	<u>3,564,055</u>	<u>4,923,601</u>
Total liabilities and net assets	<u><u>\$ 3,602,555</u></u>	<u><u>4,923,601</u></u>

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON FOUNDATION

Statement of Activities

Year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Grants	\$ —	109,283,177	109,283,177
Contributions	71,181,364	—	71,181,364
University of Washington support	781,627	—	781,627
Net assets released from restriction	110,667,769	(110,667,769)	—
Total revenue and support	182,630,760	(1,384,592)	181,246,168
Expenses:			
Transfers to University of Washington	181,643,093	—	181,643,093
General and administrative	962,621	—	962,621
Total expenses	182,605,714	—	182,605,714
Change in net assets	25,046	(1,384,592)	(1,359,546)
Net assets, beginning of year	423,463	4,500,138	4,923,601
Net assets, end of year	\$ 448,509	3,115,546	3,564,055

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON FOUNDATION

Statement of Activities

Year ended June 30, 2023

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and support:			
Grants	\$ —	107,216,640	107,216,640
Contributions	68,756,578	—	68,756,578
University of Washington support	750,894	—	750,894
Net assets released from restriction	<u>107,350,890</u>	<u>(107,350,890)</u>	<u>—</u>
Total revenue and support	<u>176,858,362</u>	<u>(134,250)</u>	<u>176,724,112</u>
Expenses:			
Transfers to University of Washington	175,988,973	—	175,988,973
General and administrative	<u>895,923</u>	<u>—</u>	<u>895,923</u>
Total expenses	<u>176,884,896</u>	<u>—</u>	<u>176,884,896</u>
Change in net assets	(26,534)	(134,250)	(160,784)
Net assets, beginning of year	<u>449,997</u>	<u>4,634,388</u>	<u>5,084,385</u>
Net assets, end of year	<u>\$ 423,463</u>	<u>4,500,138</u>	<u>4,923,601</u>

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON FOUNDATION

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,359,546)	(160,784)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Grants and other receivables	1,342,306	136,257
Prepaid expenses	3,786	(2,007)
Accrued expenses	<u>38,500</u>	<u>—</u>
Net cash provided by (used in) operating activities	25,046	(26,534)
Cash at beginning of year	<u>423,463</u>	<u>449,997</u>
Cash at end of year	<u>\$ 448,509</u>	<u>423,463</u>

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON FOUNDATION

Notes to Financial Statements

June 30, 2024 and 2023

(1) Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The University of Washington Foundation (the Foundation) was incorporated in 1988 to solicit and otherwise facilitate private contributions to, or for the benefit of, the University of Washington (the University) and its affiliated nonprofit entities; to receive, hold, invest, and administer contributions and other property; to make expenditures to, or for the benefit of, the University; and to otherwise promote and support, directly or indirectly, the purposes of the University.

Donors may direct permissible gifts either to the Foundation or the University. Permissible gifts are outright gifts and grants for the benefit of the University in the form of cash, including checks, credit card payments, wire transfers, and payments made through and by other third-party payment service providers; publicly traded securities; and such forms of tangible and intangible property as may from time to time be authorized pursuant to the University's policies regarding approval of gifts.

An agreement between the University and the Foundation specifies the following:

- (1) Permissible gifts designated by the donor for the Foundation, including checks made payable to the Foundation, shall be received by the Foundation. Permissible gifts designated by the donor for the University, including checks made payable to the University, shall be received by the University.
- (2) Permissible gifts made to either the Foundation or the University may be made to university-owned financial accounts. Where such gifts are made to the Foundation and received in university-owned accounts, the University shall be acting as agent for the Foundation. Financial accounts include but are not limited to bank and brokerage accounts.
- (3) The University, not the Foundation, shall act as trustee of charitable remainder trusts, pooled income funds and lead trusts, and offer gift annuities and such other life income and deferred gift arrangements as the University may from time to time deem acceptable.
- (4) Donors shall be encouraged to direct outright gifts of publicly traded and closely held securities, real estate, life insurance, equipment, and tangible personal property to the University.
- (5) Bequests and devises that are acceptable under the University's policies shall be received either by the Foundation or the University, depending on the terms of the will.
- (6) The Foundation shall follow the policies of the University regarding the approval of gifts and sale of securities.

(b) Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. In accordance with U.S. generally accepted accounting principles (GAAP), net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

UNIVERSITY OF WASHINGTON FOUNDATION

Notes to Financial Statements

June 30, 2024 and 2023

Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations or temporarily restricted support received during the fiscal period, for which a restriction expires, or the purpose is accomplished during the fiscal period. Also, support received in the form of endowment or sustaining funds without donor restrictions on specific fund usage are considered net assets without donor restrictions.
- *Net Assets with Donor Restrictions* – Support received subject to a donor-imposed time restriction or stipulation for a particular purpose is considered net assets with donor restrictions. Also, amounts received in the form of endowment or sustaining funds with donor restrictions on specific fund usage and amounts of underwater endowments are considered net assets with donor restrictions. As of June 30, 2024 and 2023, the Foundation did not have any endowment or sustaining funds with donor restrictions on specific fund usage or underwater endowments.

(c) Cash

The Foundation's cash is managed by the University through the Treasurer of the University. During 2024 and 2023, the Foundation's funds on deposit with the University were invested in the University's Invested Funds Pool (IFP). The IFP holds all excess operating cash of University departments and the funds are available on demand without prior notice or penalty.

(d) Grants Receivable

Grants receivables represent promises to give by grantors. Current grants receivable that have met payment conditions and are expected to be collected within one year are recorded at net realizable value. Conditional promises are not recorded in the books as grants receivable since their conditions have yet to be met. The Foundation has not experienced a history of uncollectible grants and does not expect write-offs on its receivables. Therefore, it does not have an allowance for uncollectible grants receivable.

(e) Revenue Recognition

Contributions without donor restrictions, including unconditional promises or grants, are recognized as a contribution when the donor's commitment is received. Contributions received that are restricted by the donor are reported as a contribution with donor restrictions when received, then are reclassified to without donor restrictions when the donor's restrictions are met. The Foundation has elected an accounting policy to report contributions without donor restrictions whose restrictions are met in the same reporting period as the revenue is recognized.

Grants revenue and other revenue are conditional contributions when received, because the providers have a right of return of the assets and one or more barriers, such as milestones or progress reports, need to be overcome before the Foundation is entitled to the transferred assets. Once the conditions are met, revenue is recognized.

Based on the nature of the transactions, all of the Foundation's revenue is considered contributions since the asset providers do not receive commensurate value in return.

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Notes to Financial Statements

June 30, 2024 and 2023

(f) Donated Services

Certain University of Washington staff provide administrative services to the Foundation which meet the criteria for recognition promulgated by GAAP. The estimated value of these services, \$781,627 and \$750,894 in 2024 and 2023, respectively, is reported as revenue and as expenses in the Foundation's financial statements.

(g) Transfers to the University

Transfers to the University consist of grants and gifts the Foundation receives during the year. The amount of transfers to the University for the years ended June 30, 2024 and 2023 was \$181,643,093 and \$175,988,973, respectively.

(h) Income Tax

The Foundation is a not-for-profit corporation as defined in Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income tax on income related to its exempt purpose.

Accounting Standard Codification (ASC) 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of any uncertain tax position taken or expected to be taken in a tax return. Management believes there are no such uncertain tax positions for the Foundation for the years ended June 30, 2024 and 2023.

(i) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(2) Grants Receivable

Grants receivable were \$3,154,046 and \$4,496,352 at June 30, 2024 and 2023, respectively. As of June 30, 2024, all of the grants receivable balance was from one significant donor. Management believes the balance of grants receivable is fully collectible and has not recorded an allowance on this balance.

Conditional grants receivable are not recorded until the conditions are substantially met. Conditional grants receivable was \$247,661,005 as of June 30, 2024, which are primarily conditioned on meeting certain program initiatives and milestones.

(3) Concentrations

Financial instruments that subject the Foundation to concentrations of credit risk consist of cash in the University of Washington IFP and grants receivable. As of June 30, 2024, all of the Foundation's cash was invested in the University of Washington IFP, and 100% of the grants receivable balance were from one significant donor.

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Notes to Financial Statements

June 30, 2024 and 2023

(4) Liquidity and Availability of Financial Resources

The Foundation regularly monitors liquidity to meet its cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designations and external limitations imposed by donors. As of June 30, 2024 and 2023, \$448,509 and \$423,463 of cash was available to be used for general expenditures of the Foundation within one year. The University is also expected to continue to provide financial support to the Foundation.

(5) Expenses by Nature and Function

The Foundation's expenses by nature and function were as follows:

		Year ended June 30, 2024			
		Transfer to UW	Board relations	General operations	Total expense
Professional fees	\$	—	274,179	507,448	781,627
Rental expense		—	28,576	—	28,576
Other services		—	152,418	—	152,418
Transfers to the University		181,643,093	—	—	181,643,093
Total expenses	\$	<u>181,643,093</u>	<u>455,173</u>	<u>507,448</u>	<u>182,605,714</u>

		Year ended June 30, 2023			
		Transfer to UW	Board relations	General operations	Total expense
Professional fees	\$	—	286,428	464,466	750,894
Rental expense		—	1,796	—	1,796
Other services		—	143,233	—	143,233
Transfers to the University		175,988,973	—	—	175,988,973
Total expenses	\$	<u>175,988,973</u>	<u>431,457</u>	<u>464,466</u>	<u>176,884,896</u>

The Foundation's program activities are reported as transfers to University of Washington in the statements of activities, while board relations and general operations are reported as general and administrative expenses in the statements of activities. All spending is charged directly to the related programs and support functions for the Foundation. No allocation of expenses between program and support functions is needed.

(6) Subsequent Events

The Foundation has performed an evaluation of subsequent events through November 18, 2024, which is the date these financial statements were available to be issued.