Wisconsin Alumni Research Foundation

Financial Report
June 30, 2022

Contents

Independent Auditor's Report

Board of Trustees
Wisconsin Alumni Research Foundation

Opinion

We have audited the financial statements of Wisconsin Alumni Research Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its 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 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 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 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.

RSM US LLP

Chicago, Illinois
October 4, 2022

Wisconsin Alumni Research Foundation

Statements of Financial Position
June 30, 2022 and 2021
(Amounts in Thousands)

	2022	2021
Assets		
Cash and cash equivalents	$ 10,380	$ 5,922
Receivables	238	540
Contract assets	2,300	2,300
Due from broker	7,471	6,385
Investments	3,007,409	3,487,701
Investments in start-up companies	37,073	28,976
Due from WiCell Research Institute, Inc.	51	49
Property and equipment, net	116,847	120,495
Other assets	128	265
Total assets	$ 3,181,897	$ 3,652,633
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 11,526	$ 11,131
Due to broker	-	374
Royalties payable to inventors	111	955
Payable to the University of Wisconsin-Madison	278,510	302,177
Payable to Morgridge Institute for Research, Inc. and Morgridge Institute Foundation, Inc.	385,945	428,096
Deferred revenue	28	28
Pension liability	14,961	24,885
Accrued other post-retirement benefits	2,500	2,600
Bonds payable, including unamortized discount and bond issue costs	223,661	223,612
Total liabilities	917,242	993,858
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Undesignated	2,199,368	2,583,627
Board designated	11,843	13,535
Total without donor restrictions	2,211,211	2,597,162
With donor restrictions	53,444	61,613
Net assets	2,264,655	2,658,775
Total liabilities and net assets	$ 3,181,897	$ 3,652,633

See notes to financial statements.

Wisconsin Alumni Research Foundation

Statements of Activities
Years Ended June 30, 2022 and 2021
(Amounts in Thousands)

	2022	2021
Revenues:		
Royalty income	$ 9,052	$ 10,792
Contributions	-	5,313
Other income	2,788	10,352
Net assets released from restriction	3,434	3,350
Total revenues	15,274	29,807
Expenses:		
Patent and licensing	16,467	14,909
Venture office	1,841	1,959
Legal	1,302	1,165
Administrative expenses	22,344	23,319
Grants to the University of Wisconsin-Madison	80,712	165,893
Grants to Morgridge Institute for Research, Inc.	11,000	11,400
Total expenses	133,666	218,645
Operating loss before investment (expense) income and other non-operating items	(118,392)	(188,838)
Investment (expense) income:		
Interest and dividends	17,534	21,963
Investment manager fees	(4,289)	(3,661)
Investment expenses	(1,369)	(1,238)
Net (loss) gain on derivatives	(12,060)	215,111
Net (loss) gain on investments	(281,408)	399,447
Total investment (expense) income	(281,592)	631,622
Other nonoperating items:		
Litigation outcome (Note 13)	-	(17,617)
Defined benefit pension plans:		
Interest cost	(1,483)	(1,363)
Expected return on plan assets	2,332	1,960
Amortization of cumulative loss	(842)	(1,503)
Net loss on deconsolidation	-	(1,600)
Total other nonoperating items	7	(20,123)
Change in net assets without donor restrictions before other adjustments	$ (399,977)	$ 422,661

(Continued)

Wisconsin Alumni Research Foundation

Statements of Activities (Continued)
Years Ended June 30, 2022 and 2021
(Amounts in Thousands)

	2022	2021
Net assets without donor restrictions:		
Change in net assets without donor restrictions before other adjustments	**$ (399,977)**	$ 422,661
Pension-related changes other than net periodic pension cost	**14,026**	8,570
Change in net assets without donor restrictions	**(385,951)**	431,231
Net assets with donor restrictions:		
Change in fair value of donor restricted funds	**(4,846)**	13,620
Contributions	**111**	126
Net assets released from restriction	**(3,434)**	(3,350)
Change in net assets with donor restrictions	**(8,169)**	10,396
Change in net assets	**(394,120)**	441,627
Net assets, beginning	**2,658,775**	2,217,148
Net assets, ending	**$ 2,264,655**	$ 2,658,775

See notes to financial statements.

Wisconsin Alumni Research Foundation

Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(Amounts in Thousands)

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (394,120)**	$ 441,627
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net loss (gain) on derivatives	**12,060**	(215,111)
Net loss (gain) on investments	**286,254**	(413,067)
Depreciation	**3,673**	4,683
Net loss on deconsolidation	**-**	1,600
Amortization of bond discount/premium and bond issuance costs included in interest expense	**49**	49
Changes in assets and liabilities:		
Receivables	**302**	(528)
Contract assets	**-**	300
Due from WiCell Research Institute, Inc.	**(2)**	(49)
Other assets	**137**	370
Accounts payable and accrued expenses	**395**	1,074
Litigation outcome payable	**-**	(31,617)
Royalties payable to inventors	**(844)**	(3,684)
Payable to the University of Wisconsin-Madison	**(4,280)**	42,075
Payable to Morgridge Institute for Research, Inc. and Morgridge Institute Foundation, Inc.	**(14)**	172
Pension liability	**(9,924)**	(3,709)
Accrued other post-retirement benefits	**(100)**	(284)
Net cash used in operating activities	**(106,414)**	(176,099)
Cash flows from investing activities:		
Net proceeds from sale of investments and derivative contract liabilities	**173,881**	134,510
Net change in payable to the University of Wisconsin-Madison related to investments	**(19,387)**	29,758
Net change in payable to Morgridge Institute for Research, Inc. and Morgridge Institute Foundation, Inc. related to investments	**(42,137)**	77,074
Due from (to) broker	**(1,460)**	(64,034)
Acquisition of property and equipment	**(25)**	(220)
Net cash provided by investing activities	**110,872**	177,088
Cash held by WiCell Research Institute, Inc. upon deconsolidation	**-**	(561)
Net increase in cash and cash equivalents	**4,458**	428
Cash and cash equivalents, beginning	**5,922**	5,494
Cash and cash equivalents, ending	**$ 10,380**	$ 5,922
Supplemental disclosures of cash flow information:		
Cash payments for interest	**$ 8,019**	$ 8,019

See notes to financial statements.

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

Nature of activities: The Wisconsin Alumni Research Foundation (Foundation) is organized and operated as a supporting organization for the benefit of the University of Wisconsin-Madison (UW) and Morgridge Institute for Research, Inc. (Morgridge) and exclusively for charitable, scientific, and educational purposes, including promoting, encouraging, and aiding scientific investigation and research, assisting in developing and patenting inventions and processes, and administering gifts, grants, and bequests. Significant transactions and balances between the Foundation and the UW include grants paid and payable and departmental royalty funds. The Foundation was also affiliated with WiCell Research Institute, Inc. (WiCell) through significant control and economic interest. As of July 1, 2020, the bylaws of WiCell were amended at which time the Foundation no longer retained significant control and economic interest over WiCell. As a result, WiCell was deconsolidated from the Foundation as of the date of the bylaws change.

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 disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

The pension plan contributions and the actuarial present value of accumulated plan benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements. The fair value of the plan assets is subject to the market volatility of the underlying investments.

The statements of financial position include investments carried at $2,617,108 representing 82% of total assets as of June 30, 2022, and $2,966,457 representing 81% of total assets as of June 30, 2021, respectively, whose fair values have been estimated by management in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Cash and cash equivalents: Cash and cash equivalents include cash, overnight investments, U.S. treasury bills and short-term investments in interest-bearing demand deposits with banks and cash managers with maturities of three months or less. The Foundation, at times, has on deposit in financial institutions cash balances and money markets in excess of the Federal Deposit Insurance Corporation limit. The Foundation does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Receivables are considered past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on past due receivables. At June 30, 2022 and 2021, the Foundation considered all receivables to be fully collectible.

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

Investments: Investments are stated at fair value.

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 restriction unless the income or loss is restricted by donor or law.

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 statements of financial position. Management considers all highly liquid investments purchased with a maturity of three months or less, including money market funds, to be cash equivalents.

The Foundation utilizes various investment managers to manage the Foundation's investments under established policy statements. The investments of the managed accounts, which include cash equivalents, common stocks and fixed income securities, are, to the extent possible, held in custody by the Northern Trust Company (Northern).

Investments in start-up companies: The Foundation invests in start-up companies that do not have readily determinable fair value. The Foundation has elected to account for these investments at cost, with adjustments for impairment and observable price changes for identical or similar investments. Adjustments for impairment or observable price changes are included in net (loss) gain on investments in the statements of activities. During the years ended June 30, 2022 and 2021, the Foundation had write-offs related to these investments and recorded net losses of $2,258 and $3,391, respectively, which are included net (loss) gain on investments in the statements of activities.

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 with the net (loss) gain from investments.

Property and equipment: Property and equipment are recorded at cost. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets.

Impairment of long-lived assets: The Foundation reviews its property and equipment when events and circumstances indicate that the assets might be impaired by comparing the carrying value of the assets with the undiscounted anticipated future cash flows of the related asset before interest charges. If the sum of the projected undiscounted cash flows (excluding interest charges) of an asset group is less than its carrying value and the fair value of an asset group is also less than its carrying value, the assets will be written down by the amount by which the carrying value of the asset group exceeded its fair value. As of June 30, 2022 and 2021, there was no impairment recognized to long-lived assets.

(Amounts in Thousands)

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

Bond issuance costs, discounts and premiums: Costs associated with the issuance of bonds, discounts, and premiums are being amortized using the effective interest method over the term of the related debt. Such amounts are presented as a part of the related bond debt in the statements of financial position.

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, 2022 and 2021, the Foundation had net assets without restriction, which were designated by the board of the Foundation to be used for the following purposes:

	2022	2021
Research and development	$ 11,558	$ 13,150
Deferred compensation funds	285	385
	$ 11,843	$ 13,535

These amounts can be utilized by the Foundation for other purposes upon approval by the board of the Foundation.

Net assets with donor restrictions are those resources whose use by the Foundation has been limited by donors for a specific purpose and either expires by the passage of time or by actions of the Foundation. The Foundation's net assets with donor restrictions are as follows:

	2022	2021
Purpose restrictions:		
Departments within UW	$ 53,444	$ 61,613

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

Royalty income: The Foundation negotiates license agreements with interested parties for specific inventions. Royalty arrangements are finalized at that time. Licensing agreements are generally in effect through the life of the related patent, which is 20 years, or a term requested by the licensee. At June 30, 2022, the Foundation maintained 690 active license agreements, of which 10 agreements generate approximately 71% of the total royalties recognized by the Foundation. On average, there are approximately nine years remaining on those 10 agreements at June 30, 2022.

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

The amount of revenue recognized upon satisfaction of a performance obligation is the transaction price allocated to it using the following steps: (1) identify the contract, (2) identify the performance obligations, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue as or when the Foundation satisfies the performance obligations.

License fees, which are included in royalty income, are generally recognized when, or as, the performance obligation is satisfied, which is when control of the intellectual property (IP) is transferred to the licensee.

Sales and usage-based royalties on licenses of IP are recognized over time when the later of the following events occurs: (1) the subsequent sales or usage occurs or (2) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied). The amount of royalty income earned can vary significantly from year to year depending on the individually negotiated license agreements and the activities of the individual licensees. The gross royalties collected by the Foundation is reduced by inventors' share of royalties where the Foundation serves as an agent to inventors and other third parties associated with the IP. Total gross royalties and license fees recognized were $15,615 and $17,383 during the years ended June 30, 2022 and 2021, respectively. Total inventors' and other third parties' shares of royalties and license fees that were reduced from the gross royalties and license fees collected were $6,563 and $6,591 during the years ended June 30, 2022 and 2021, respectively. Total net royalties and license fees, presented as royalty income with the statement of activities, recognized during the years ended June 30, 2022 and 2021, were $9,052 and $10,792 respectively.

Contract assets represent the Foundation's conditional right to consideration for royalty and licensing revenues where its performance has been completed, or partially completed, but have not been billed. For the years ended June 30, 2022 and 2021, the Foundation estimated that there was approximately $2,300 and $2,300, respectively, of uncollected royalties. In addition, the Foundation evaluates contract assets for impairment annually. Management has determined that no impairment of contract assets existed in 2022 or 2021.

Contributions: All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions without donor restriction are reported as other income on the statements of activities. 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. 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 assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

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, consulting fees, communications/marketing, travel, business meetings, professional dues and various overhead costs including office supplies, office space, subscriptions and software, all of which are allocated based on type of services provided within each department and the employee's job description or primary function.

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

Grants to University of Wisconsin-Madison and Morgridge Institute for Research, Inc.: Grants are recorded as payable in the year the grant is awarded. Grants which indicate the payment will be made over an extended number of years, if any, are recorded at their net present value. All grants are expected to be paid within a year at June 30, 2022 and 2021.

Income taxes: The Foundation has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Under this exemption, income tax is paid only on unrelated business income. The Foundation is also exempt from Wisconsin income and real estate taxes.

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.

Recently adopted accounting standards: In January 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*, which, among other things, clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, *Investments—Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The new ASU clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. The impact of the adoption on the financial statements was not material.

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

Subsequent events: Management of the Foundation has evaluated subsequent events through October 4, 2022, which is the date the financial statements were issued for possible measurement and/or disclosure effects on the financial statements.

Note 2. Investments and Fair Value of Financial Instruments

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

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

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. For the fiscal years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The Foundation assesses the levels of the investments at each measurement date, and the transfers between levels are recognized at the measurement date in accordance with the Foundation's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the fiscal years ended June 30, 2022 and 2021, there were no such transfers.

As a practical expedient, the Foundation uses the reported net asset value (NAV) of the investments in other investment funds to determine fair value. Investments in other investment funds (investment companies, real estate funds and private equity funds) are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as determined by the Foundation. In determining fair value, the Foundation utilizes valuations of the underlying investment funds. The underlying investment funds value securities and other financial instruments substantially on the fair value basis of accounting. These investments are not included in the three levels of the fair value hierarchy but are included in the tables on the following page for reconciliation purposes.

(Amounts in Thousands)

Note 2. Investments and Fair Value of Financial Instruments (Continued)

Investments in securities traded on national securities exchanges including preferred stocks, common stocks, and U.S. Treasuries, are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, except for short positions, for which the last quoted ask price is used. Other securities for which quotations are not readily available are valued at fair value as determined by the investment manager. The ability of issuers of debt securities to meet their obligations may be affected by economic and political developments in a specific country or region. Fixed income securities are valued based upon mid-market quotations obtained from pricing services.

In the normal course of business, the Foundation enters into derivative contracts (derivatives) for trading purposes. Derivatives include exchange-traded futures. Futures are valued at their current market price on a mark-to-market basis, and unrealized gains and losses on positions prior to the settlement date are recorded.

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

	2022			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	$ 67,791	$ 67,791	$ -	$ -
Common stocks:				
U.S. domestic small-cap value	4,959	4,959	-	-
U.S. Treasury notes	315,372	-	315,372	-
Subtotal	388,122	$ 72,750	$ 315,372	$ -
Investments in funds measured at NAV:				
Investment companies	286,731			
Index funds	632,065			
Equity funds	687,889			
Fixed income funds	211,983			
Private equity funds	560,509			
Real estate funds	237,931			
	3,005,230			
Accrued interest and dividends	2,179			
Total investments	$ 3,007,409			

(Amounts in Thousands)

Note 2. 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 as of June 30, 2021:

	2021			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	$ 177,948	$ 177,948	$ -	$ -
Common stocks:				
U.S. domestic small-cap value	9,341	9,341	-	-
U.S. Treasury notes	331,306	-	331,306	-
Unrealized gain on derivative contracts, net:				
Futures	319	319	-	-
Subtotal	518,914	$ 187,608	$ 331,306	$ -
Investments in funds measured at NAV:				
Investment companies	777,449			
Index funds	727,266			
Equity funds	497,034			
Fixed income funds	145,111			
Private equity funds	604,718			
Real estate funds	214,879			
	3,485,371			
Accrued interest and dividends	2,330			
Total investments	$ 3,487,701			

The following table summarizes the Foundation's investments in private equity funds by strategy, which are valued using the practical expedient, as of June 30:

Investment Strategy	2022	2021	Unfunded Commitment as of June 30, 2022
International [(a)]	$ 4,261	$ 13,518	$ 2,186
Healthcare [(b)]	56,771	134,559	75,346
Venture capital [(c)]	391,579	396,767	236,502
Financial services [(d)]	9,678	29,796	3,738
Other [(e)]	98,220	30,078	35,486
	$ 560,509	$ 604,718	$ 353,258

Note 2. Investments and Fair Value of Financial Instruments (Continued)

(a) The strategy focuses on investment in direct or indirect securities of private companies doing business primarily overseas with emphasis on growing markets in the expansion stage, capital transactions and buyouts.

(b) The strategy focuses on investment in private healthcare companies with an investment model based on a unique and impactful approach to capital efficiency that leverages shared resources and non-dilutive capital.

(c) The strategy focuses on venture capital investments in private companies with an objective to provide investors with attractive returns.

(d) The strategy focuses on providing capital to, and investing in, depositories and other financial service companies.

(e) The strategy focuses on generating significant returns for investment partners, principally through long-term capital appreciation, by making privately negotiated investments in various industries.

The unfunded commitment above represents the Foundation's outstanding obligation at June 30, 2022, regarding making additional investments in the above underlying funds. At June 30, 2022 and 2021, the Foundation had a contractual obligation to invest approximately $353,258 and $272,109, respectively, in private equity funds. This obligation is contingent on the private equity funds' issuance of future capital calls.

The private equity funds listed above have fixed termination dates and the Foundation may not redeem prior to those dates. The term for these investments is within a 12-year range. The sponsor of the respective investment companies may, at its sole discretion, suspend investor redemption rights, which might affect the Foundation's ability to redeem its investment. As of June 30, 2022 and 2021, there were no suspensions of investor redemption rights.

(Amounts in Thousands)

Note 2. Investments and Fair Value of Financial Instruments (Continued)

The following table summarizes the Foundation's investments in investment companies by strategy, which are valued using the practical expedient, as of June 30, 2022:

Investment Strategy	Fair Value	Redemptions Permitted	Redemption Notice Period In Days
Global Macro	$ 47,968	Monthly	5
Multi-Strategy	70,332	Quarterly	65
Equity Arbitrage and Relative Value	34,498	Monthly	30
Public Equity-Foreign Develop Markets	-	Monthly	30
Fixed Income-Structured Credit	65,769	Quarterly	60
Equity Long/Short	22,641	Quarterly	60
	$ 241,208		

The following table summarizes the Foundation's investments in investment companies by strategy, which are valued using the practical expedient, as of June 30, 2021:

Investment Strategy	Fair Value	Redemptions Permitted	Redemption Notice Period In Days
Global Macro	$ 34,098	Monthly	5
Low-net/market Neutral Credit Trading	41,685	Quarterly	90
Global Macro—Emerging Markets	67,517	Monthly	90
Multi-Strategy	83,516	Quarterly	65
Equity Arbitrage and Relative Value	68,111	Monthly	30
Relative Value	31,097	Quarterly	60
Public Equity-Foregin Develop Markets	82,596	Monthly	30
Fixed Income-Structured Credit	59,338	Quarterly	60
Equity Long/Short	33,478	Quarterly	60
Global Equity	169,058	Weekly	3
Emerging Markets	106,955	Monthly	3
	$ 777,449		

(Amounts in Thousands)

Note 2. Investments and Fair Value of Financial Instruments (Continued)

The following table summarizes the Foundation's investments in other investments, which are valued using the practical expedient, as of June 30, 2022 and 2021:

Investment type	2022 Fair Value	2021 Fair Value	Redemptions Permitted	Redemption Notice Period In Days
Index funds	$ 632,065	$ 727,266	Daily	None
Equity funds	687,889	497,034	Daily	None
Fixed income funds	211,983	145,111	Daily-Quarterly	0-75
Real estate funds	237,931	214,879	Not permitted	-

Note 3. Derivative Instruments

Typically, derivative contracts are used primarily to structure and hedge investments to enhance performance and reduce risk of the Foundation. The Foundation's derivative positions are comprised of exchange-traded futures contracts. The Foundation actively utilizes derivatives to hedge currency exposures and to re-allocate portfolio risk exposures on a daily basis. These derivative contracts are recorded in the statements of financial position as assets and liabilities measured at fair value and the related net change in fair value associated with these derivatives is recorded in the statements of activities. The Foundation has considered the counterparty credit risk related to all of its futures contracts, and does not deem any counterparty credit risk material at this time.

For the years ended June 30, 2022 and 2021, the Foundation's derivative activities had the following impact on the statements of activities as follows:

	2022 Gain (Loss) on Derivatives	2021 Gain (Loss) on Derivatives
Futures contracts:		
Index	$ (12,060)	$ 191,631
	(12,060)	191,631
Swaps:		
Index	-	23,480
	-	23,480
Total realized and unrealized gains (losses), net	$ (12,060)	$ 215,111

Note 4. Trading Activities and Related Risks

The Foundation engages in the trading of, among other things, U.S. and foreign futures contracts (collectively, derivatives). These derivatives include both financial and nonfinancial contracts held as part of a diversified trading strategy. The Foundation is exposed to both market risk, the risk arising from changes in the market value of the contracts, and credit risk, the risk of failure by another party to perform according to the terms of a contract.

The purchase and sale of futures requires margin deposits with the broker, which is a registered futures commission merchant (FCM). Additional deposits may be necessary for any loss. The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other property (for example, U.S. Treasury bills) deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to a pro rata share of segregated funds available. It is possible that the recovered amount could be less than the total of cash and other property deposited.

For derivatives, risks arise from changes in the market value of the contracts. Theoretically, the Foundation is exposed to a market risk equal to the value of futures contracts purchased and an unlimited liability on such contracts sold short.

In addition to market risk, in entering into commodity interest contracts there is a credit risk that a counterparty will not be able to meet its obligations to the Foundation. The counterparty for futures and options on futures contracts traded in the United States and on most non-U.S. futures exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the nonperformance by one of their members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members, like some non-U.S. exchanges, it is normally backed by a consortium of banks or other financial institutions.

In the total return swap transactions, the underlying components are comprised of United States and foreign government obligations, equity indices and foreign currency indices. Under the total return swap transactions, the counterparty pays the Foundation the cash flows that result from the basket component plus any capital appreciation related to that specific instrument. The Foundation pays the counterparty a payment based on an index plus a specific spread plus any capital depreciation related to that specific instrument. There were no swap transactions during the year ended June 30, 2022.

Note 5. 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, and one line of credit.

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 margin requirements, grant obligations, redemption requests, 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.

(Amounts in Thousands)

Note 5. Liquidity and Availability (Continued)

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

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 10,380	$ 5,922
Receivables	238	540
Contract assets	2,300	2,300
Due from broker	7,471	6,385
Due from WiCell Research Institute, Inc.	51	49
Investments	3,007,409	3,487,701
Other assets	128	265
Total financial assets	3,027,977	3,503,162
Less amounts not available to be used within one year:		
Investments in non-liquid securities	-	(819,597)
Assets held in custodial accounts for others	(517,986)	(579,510)
Assets with donor and board restrictions	(65,287)	(75,148)
Financial assets not available to be used within one year	(583,273)	(1,474,255)
Financial assets available to meet general expenditures within one year	$ 2,444,704	$ 2,028,907

Note 6. Line of Credit

The Foundation has an unsecured line of credit with a bank for $125,000, uncommitted. The Foundation has the option of drawing on the credit agreement at any one time for temporary short-term liquidity purposes. The agreement for the line of credit expires on June 20, 2023.

The outstanding principal amount bears interest at a prime-based rate designated by the bank or the Daily Simple Secured Overnight Financing Rate (SOFR)- based rate. The Daily Simple SOFR-based rate defined as the greater of 0.85% or the Daily Simple SOFR plus 0.85%. The Foundation elects which interest rate option. As of June 30, 2022 and 2021, there was no outstanding balance under the agreement.

(Amounts in Thousands)

Note 7. Bonds Payable

In December 2019, the Foundation issued $225,000, Series 2019 Taxable Bonds (taxable bonds) to refinance the 2009 tax exempt bonds to fund expenditures for the Foundation's charitable purposes, including, but not limited to, supporting building and grant making requests. Interest on the taxable bonds is payable on April 1 and October 1 of each year, commencing April 1, 2020, at an annual interest rate of 3.564%. The taxable bonds mature on October 1, 2049, with the entire principal balance due on this date and has a 10-year par call option on October 1, 2029.

At June 30, 2022 and 2021, bonds payable consisted of the following:

	2022	2021
Series 2019 Taxable Bonds	$ 225,000	$ 225,000
Less unamortized discount	(947)	(981)
Less unamortized bond issuance costs	(392)	(407)
	$ 223,661	$ 223,612

Total interest cost incurred during the years ended June 30, 2022 and 2021, was $8,068 and $8,068, respectively, which has been included in administrative expenses on the statements of activities.

The bond indenture does not contain any financial covenants limiting the ability of the Foundation to incur indebtedness, encumber or dispose of its property or merge with any other entity, or any other similar covenants.

Note 8. Property and Equipment

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

	2022	2021
Land	$ 15,341	$ 15,341
Building and improvements	142,347	142,347
Furniture and equipment	25,100	25,223
Accumulated depreciation	(65,941)	(62,416)
	$ 116,847	$ 120,495

(Amounts in Thousands)

Note 9. Payable to the University of Wisconsin-Madison

Amounts payable to the UW at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Current and prior year grants	$ 117,192	$ 122,020
Departmental royalty funds	151,600	170,987
Undistributed current year income on:		
Departmental royalty funds	7,065	6,683
Donor directed funds	2,653	2,487
	$ 278,510	$ 302,177

The amounts due to UW for departmental royalty funds are adjusted annually to reflect the change in the fair value of the Foundation's investment portfolio. The allocation of earnings to these items is based upon the average return on investments of the Foundation as a whole. For the purpose of this allocation, investment return includes interest, dividends, and appreciation. UW may request to withdraw all or a portion of their respective balances as of the end of any quarter.

Note 10. Related Parties and Rent Income

In connection with an investment management agreement executed on January 1, 2018, between the Foundation and Morgridge, the Foundation has agreed to hold certain Morgridge funds within the pooled Foundation investment portfolio. The Foundation has agreed to provide investment management services to Morgridge in exchange for a management fee equal to 0.35% per quarter of the Morgridge accounts' pro rata portion of the NAV of the total Foundation investments. Earnings are also allocated on a pro rata basis based on changes in the fair value of the underlying investments of the portfolio as a whole. Morgridge may, upon 90 days' prior written notice to the Foundation, request to withdraw all or a portion of their respective balances as of the end of any quarter.

The Foundation periodically makes operating grants to Morgridge to provide funding for research related expenses. The Foundation also makes distributions from funds held and invested by the Foundation on behalf of Morgridge.

The Foundation leases a building and related improvements to Morgridge. The Foundation signed an agreement with Morgridge on July 1, 2018 for the building lease. The initial term of the lease is 15 years, with annual rent to be paid at a base rate of $2,250 per year with 2% per year incremental increases in lease payments after July 1, 2023, including renewal periods. At the end of the original lease term, Morgridge has the right to extend the term for three periods of 60 months each.

Amounts payable to Morgridge consisted of the following at June 30:

	2022	2021
Grants	$ 6,000	$ 6,400
Investments held for Morgridge	366,386	408,523
Distribution payable	13,299	12,827
Other payables	260	346
	$ 385,945	$ 428,096

(Amounts in Thousands)

Note 11. Retirement Plans

The Foundation has a noncontributory defined benefit pension plan which covers all employees. Benefits under this plan are based primarily on years of service and employee remuneration. Contributions to the plan are actuarially determined and are funded through a group annuity contract.

The Foundation also has a postretirement benefit plan where the Foundation will provide health and dental insurance for retired employees that have not reached Medicare eligibility. After reaching Medicare age, the Foundation provides partial reimbursement of Medicare supplemental insurance for retired employees and their spouses, if hired prior to July 1, 2017. Medical supplemental insurance reimbursement will be equal to 25% of the published premium for a standard Medicare supplemental insurance plan. In order to qualify for the health and dental insurance continuation plan, the employee must retire, must receive pension plan benefits, must be at least 50 and 62 years of age, if hired prior to July 1, 2017, and on or before that date, respectively, and must have 10 years of vested pension service.

The expected long-term rate of return on assets in the pension plan is based on the expected return for a portfolio mix of 30% fixed income and 70% equity securities while also considering historical rate of returns.

Information relative to the Foundation's pension plan and other post-retirement benefit plan are presented below:

	Pension Benefits		Other Post-Retirement Benefits	
	2022	2021	2022	2021
Change in benefit obligation:				
Projected benefit obligation, beginning of year	$ 58,131	$ 56,733	$ 2,600	$ 2,400
Interest cost	1,483	1,363	-	-
Service cost	4,109	3,955	56	376
Actuarial (gains) losses	(19,540)	(1,861)	-	-
Benefits paid	(1,430)	(2,059)	(156)	(176)
Projected benefit obligation, end of year	42,753	58,131	2,500	2,600
Change in plan assets:				
Fair value of plan assets, beginning of year	33,246	28,139	-	-
Contributions from employer	-	-	156	176
Actual return on plan assets	(4,024)	7,166	-	-
Benefits paid	(1,430)	(2,059)	(156)	(176)
Fair value of plan assets, end of year	27,792	33,246	-	-
Funded status of the Plans	$ (14,961)	$ (24,885)	$ (2,500)	$ (2,600)
Accumulated benefit obligation	$ 35,456	$ 46,778		
Amounts recognized on the statements of financial position:				
Pension liability	$ (14,961)	$ (24,885)	$ -	$ -
Accrued other post-retirement benefits	$ -	$ -	$ (2,500)	$ (2,600)
Amounts not yet recognized on the statements of activities as a change in net assets without donor restriction:				
Net actuarial loss	$ 2,471	$ 16,497	$ -	$ -

(Amounts in Thousands)

Note 11. Retirement Plans (Continued)

Net periodic benefit cost and other amounts recognized in the changes in net assets without restriction were as follows for the years ended June 30, 2022 and 2021:

	Pension Benefits		Other Post-Retirement Benefits	
	2022	2021	2022	2021
Components of net periodic benefit cost:				
Service cost	$ 4,109	$ 3,955	$ 56	$ 376
Interest cost	1,483	1,363	-	-
Expected return on plan assets	(2,332)	(1,960)	-	-
Amortization of:				
Net loss	842	1,503	-	-
Net periodic benefit cost	4,102	4,861	56	376
Other changes in plan assets and benefit obligations recognized in changes in net assets without donor restriction:				
Net actuarial (gain) loss arising during the period	(13,184)	(7,067)	-	-
Amortization of net loss	(842)	(1,503)	-	-
Total recognized in changes in net assets without donor restriction	(14,026)	(8,570)	-	-
Total recognized in net periodic benefit cost and changes in net assets	$ (9,924)	$ (3,709)	$ 56	$ 376

The following is cash flow information and assumptions used for the plans during the years ended June 30, 2022 and 2021:

	Pension Benefits		Other Post-Retirement Benefits	
	2022	2021	2022	2021
Amounts recognized for the years:				
Benefits paid	$ 1,430	$ 2,059	$ 156	$ 176
Employer contributions	-	-	-	-
Participant contributions	-	-	-	-
Weighted average assumptions used to determine the benefit obligations at the end of the year were as follows:				
Discount rate	4.40%	2.60%	4.40%	2.60%
Rate of compensation increase	3.00%	3.00%	0.00%	0.00%
Weighted average assumptions used to determine the net periodic pension cost for the years:				
Discount rate	2.60%	2.45%	2.60%	2.45%
Rate of compensation increase	3.00%	3.00%	0.00%	0.00%
Expected long-term return on plan assets	7.25%	7.25%	0.00%	0.00%

For measurement purposes, at June 30, 2022 and 2021, a 9% (health) and 2% (dental) annual rate of increase in the cost of health care benefits was assumed relative to the other post-retirement benefits plan. Assumed health care trend rates may have a significant effect on the amounts reported for the other post-retirement benefits plan.

(Amounts in Thousands)

Note 11. Retirement Plans (Continued)

Plan Assets: The policy of the Foundation for the long-term target mix of the investment portfolio is 70% of plan assets in equity funds and 30% of plan assets in fixed income funds. The acceptable ranges for the long-term allocation of funds among asset classes within the portfolio are as follows:

	Range
Equities	60-80%
Fixed income	20-40%
Cash reserves	0-15%

Allocations outside those parameters are generally due either to timing of investment purchases and sales or in anticipation of future distributions.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2022 and 2021.

Pooled equity funds and fixed income: Pooled equity funds are valued at quoted market prices which represent the NAV of shares held by the plan at year-end.

The fair values of the Foundation's pension plan assets at June 30, 2022 and 2021, by asset category, are as follows:

	Fair Value Measurements At June 30, 2022		Fair Value Measurements At June 30, 2021	
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)
Pooled equity funds:				
Small Cap Equity	$ 1,363	$ 1,363	$ 1,653	$ 1,653
Mid Cap Equity	2,713	2,713	3,314	3,314
Large Cap Equity	12,549	12,549	14,965	14,965
International Equity	2,730	2,730	3,275	3,275
Fixed income:				
Corporate Bond	2,846	2,846	3,301	3,301
Intermediate Core Bond	5,478	5,478	6,573	6,573
	27,679	$ 27,679	33,081	$ 33,081
Money market funds	113		165	
	$ 27,792		$ 33,246	

There were no Level 2 or 3 assets as of June 30, 2022 or 2021.

The Foundation expects to make no contributions to the pension plan in 2023.

(Amounts in Thousands)

Note 11. Retirement Plans (Continued)

The following benefit payments, which reflect future service as appropriate, are expected to be paid:

	Pension Benefits	Other Post-Retirement Benefits
Years ending June 30:		
2023	$ 619	$ 153
2024	1,552	148
2025	2,547	156
2026	4,417	126
2027	1,430	125
2028-2032	18,854	1,040

Note 12. Functional Expenses

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

	2022			
	Program Services	Management and General Expenses	Fundraising	Total
Grants and other assistance	$ 87,771	$ -	$ -	$ 87,771
Salaries, wages and benefits	6,727	10,007	-	16,734
Management fees	-	6	-	6
Legal services	430	23	-	453
Accounting services	-	179	-	179
Lobbying fees	-	72	-	72
Investment management fees	-	279	-	279
Other fees	398	199	-	597
Advertising and promotion	42	50	-	92
Office expenses	77	62	-	139
Information technology	-	476	-	476
Occupancy	1,945	643	-	2,588
Travel	82	41	-	123
Conferences, conventions, and meetings	64	40	-	104
Interest	-	8,068	-	8,068
Depreciation and amortization	3,634	39	-	3,673
Insurance	229	243	-	472
Domestic legal/patents	6,856	-	-	6,856
Foreign legal/patents	1,990	-	-	1,990
Foreign patent maintenance fees	1,130	-	-	1,130
U.S. patent maintenance fees	838	-	-	838
Other expenses	548	478	-	1,026
	$ 112,761	$ 20,905	$ -	$ 133,666

(Amounts in Thousands)

Note 12. Functional Expenses (Continued)

	2021			
	Program Services	Management and General Expenses	Fundraising	Total
Grants and other assistance	$ 173,625	$ -	$ -	$ 173,625
Salaries, wages and benefits	6,162	8,975	-	15,137
Management fees	-	59	-	59
Legal services	367	10	-	377
Accounting services	-	144	-	144
Lobbying fees	-	72	-	72
Investment management fees	-	1,460	-	1,460
Other fees	769	102	-	871
Advertising and promotion	35	47	-	82
Office expenses	73	59	-	132
Information technology	-	327	-	327
Occupancy	1,596	578	-	2,174
Travel	-	10	-	10
Conferences, conventions, and meetings	9	77	-	86
Interest	-	8,068	-	8,068
Depreciation and amortization	4,642	41	-	4,683
Insurance	220	200	-	420
Domestic legal/patents	6,040	-	-	6,040
Foreign legal/patents	1,806	-	-	1,806
Foreign patent maintenance fees	1,156	-	-	1,156
U.S. patent maintenance fees	1,065	-	-	1,065
Other expenses	592	259	-	851
	$ 198,157	$ 20,488	$ -	$ 218,645

Note 13. Litigation

The Foundation was involved in litigation relating to shared revenue pursuant to an inter-institutional agreement associated with a joint invention. In November 2018, the clerk of court ordered judgment against the Foundation. At June 30, 2020, $31,617 was accrued and included in litigation outcome payable within the consolidated statement of financial position. As of the year ended June 30, 2021, the matter was settled between the parties involved.