

Wisconsin Alumni Research Foundation

Financial Report
June 30, 2025

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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, 2025 and 2024, 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, 2025 and 2024, 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 3, 2025

Wisconsin Alumni Research Foundation

Statements of Financial Position June 30, 2025 and 2024 (Amounts in Thousands)

	2025	2024
Assets		
Cash and cash equivalents	\$ 8,552	\$ 11,032
Receivables	227	5,951
Contract assets	2,500	2,300
Due from broker	11,190	-
Investments	3,306,568	3,118,199
Investments in start-up companies	81,869	60,876
Accrued interest and dividends	6,775	5,639
Due from WiCell Research Institute, Inc.	265	279
Pension asset	1,365	-
Property and equipment, net	12,678	106,767
Other assets	348	127
Total assets	\$ 3,432,337	\$ 3,311,170
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,333	\$ 12,997
Due to broker	-	457
Royalties payable to inventors	1,185	1,428
Payable to the University of Wisconsin-Madison	262,787	258,403
Payable to Morgridge Institute for Research, Inc. and Morgridge Institute Foundation, Inc.	537,747	467,795
Deferred revenue	134	28
Pension liability	-	1,487
Accrued other post-retirement benefits	2,500	2,500
Bonds payable, including unamortized discount and bond issue costs	223,809	223,760
Total liabilities	1,037,495	968,855
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Undesignated	2,309,945	2,277,577
Board-designated	34,122	14,469
Total without donor restrictions	2,344,067	2,292,046
With donor restrictions	50,775	50,269
Net assets	2,394,842	2,342,315
Total liabilities and net assets	\$ 3,432,337	\$ 3,311,170

See notes to financial statements.

Wisconsin Alumni Research Foundation

Statements of Activities Years Ended June 30, 2025 and 2024 (Amounts in Thousands)

	2025	2024
Revenues:		
Royalty income	\$ 11,818	\$ 17,516
Other income	6,418	5,367
Net assets released from restriction	4,111	3,217
Total revenues	22,347	26,100
Expenses:		
Patent and licensing	19,137	20,630
Venture office	1,909	1,944
Legal	1,847	1,315
Administrative expenses	23,983	23,897
Grants and contribution to the University of Wisconsin-Madison	95,377	86,770
Contribution of property to the University of Wisconsin-Madison	15,949	-
Grants and contribution to Morgridge Institute for Research, Inc.	5,200	5,310
Contribution of property to Morgridge Institute for Research, Inc.	39,871	-
Total expenses	203,273	139,866
Loss on contribution of property to University of Wisconsin-Madison and Morgridge Institute for Research, Inc.	36,737	-
Operating loss before investment income and other nonoperating items	(217,663)	(113,766)
Investment income (expense):		
Interest and dividends	48,060	48,645
Investment manager fees	(6,966)	(5,441)
Investment expenses	(1,689)	(1,726)
Net loss on derivatives	-	(692)
Net gain on investments	227,286	155,155
Total investment income	266,691	195,941
Other nonoperating items:		
Defined benefit pension plans:		
Interest cost	(2,253)	(2,048)
Expected return on plan assets	2,850	2,404
Amortization of cumulative loss	315	-
Total other nonoperating items	912	356
Change in net assets without donor restrictions before other adjustments	\$ 49,940	\$ 82,531

(Continued)

Wisconsin Alumni Research Foundation

Statements of Activities (Continued)
Years Ended June 30, 2025 and 2024
(Amounts in Thousands)

	2025	2024
Net assets without donor restrictions:		
Change in net assets without donor restrictions before other adjustments	\$ 49,940	\$ 82,531
Pension-related changes other than net periodic pension cost	2,081	5,806
Change in net assets without donor restrictions	52,021	88,337
Net assets with donor restrictions:		
Investment return on donor-restricted funds	4,617	4,117
Contributions	-	3
Net assets released from restriction	(4,111)	(3,217)
Change in net assets with donor restrictions	506	903
Change in net assets	52,527	89,240
Net assets, beginning of year	2,342,315	2,253,075
Net assets, end of year	\$ 2,394,842	\$ 2,342,315

See notes to financial statements.

Wisconsin Alumni Research Foundation

Statements of Cash Flows Years Ended June 30, 2025 and 2024 (Amounts in Thousands)

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 52,527	\$ 89,240
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net loss on derivatives	-	692
Net gain on investments	(231,903)	(159,272)
Depreciation	3,688	3,650
In-kind property contribution to the University of Wisconsin-Madison and Morgridge Institute for Research, Inc.	55,820	-
Amortization of bond discount/premium and bond issuance costs included in interest expense	49	50
Loss on contribution of property to University of Wisconsin-Madison and Morgridge Institute for Research, Inc.	36,737	-
Changes in assets and liabilities:		
Receivables	5,724	(5,758)
Contract assets	(200)	-
Accrued interest and dividends	(1,136)	411
Due from WiCell Research Institute, Inc.	14	(173)
Other assets	(221)	35
Accounts payable and accrued expenses	(3,664)	1,310
Royalties payable to inventors	(243)	1,247
Payable to the University of Wisconsin-Madison	(3,235)	(15,700)
Payable to Morgridge Institute for Research, Inc. and Morgridge Institute Foundation, Inc.	(3,434)	4,852
Deferred revenue	106	-
Pension asset/liability	(2,852)	(5,895)
Accrued other post-retirement benefits	-	(100)
Net cash used in operating activities	(92,223)	(85,411)
Cash flows from investing activities:		
Purchases of investments and derivative contract liabilities	(1,664,752)	(876,749)
Sales and settlements of investments and derivative contract liabilities	1,748,466	965,011
Net change in payable to the University of Wisconsin-Madison related to investments	(7,942)	(3,608)
Net change in payable to Morgridge Institute for Research, Inc. and Morgridge Institute Foundation, Inc. related to investments	27,774	5,480
Due from (to) broker	(11,647)	153
Acquisition of property and equipment	(2,156)	(932)
Net cash provided by investing activities	89,743	89,355
Net (decrease) increase in cash and cash equivalents	(2,480)	3,944
Cash and cash equivalents, beginning of year	11,032	7,088
Cash and cash equivalents, end of year	\$ 8,552	\$ 11,032
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 8,019	\$ 8,019
Supplemental schedules of noncash investing activities:		
In-kind property contribution to the University of Wisconsin-Madison and Morgridge Institute for Research, Inc.	\$ 55,820	\$ -
Convertible notes in startup companies converted to shares	\$ 1,500	\$ 4,582

See notes to financial statements.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

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.

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.

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 expected credit losses. Management determines the allowance for credit losses based on current and future market conditions, and by identifying troubled accounts and 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, 2025 and 2024, and as of the opening balance at July 1, 2023, the Foundation considered all receivables to be fully collectible. The opening balance for receivables as of July 1, 2023, was \$193.

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.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

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

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 startup companies: The Foundation invests in startup 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 the Accounting Standards Codification Topic 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 the making the adjustments for observable price changes include third-party valuations and recent financing by the startup companies. The amount of downward adjustments for impairments and observable price changes totaled \$6,045 for the year ended June 30, 2025. The amount of upward adjustments for observable price changes totaled \$7,909 for the year ended June 30, 2025. The amount of downward adjustments for impairments and observable price changes totaled \$9,646 for the year ended June 30, 2024. The amount of upward adjustments for observable price changes totaled \$5,673 for the year ended June 30, 2024. Adjustments for impairment or observable price changes are included in net gain on investments in the statements of activities. During the years ended June 30, 2025 and 2024, the Foundation recorded a net gain of \$1,864 and net loss of \$4,307, respectively, which are included in net gain on investments in the statements of activities.

The Foundation invests in certain startup companies using convertible notes. These notes are considered debt securities and are recorded at fair value.

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 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, 2025 and 2024, there was no impairment recognized to long-lived assets.

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.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

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

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, 2025 and 2024, the Foundation had net assets without restriction, which were designated by the board of the Foundation to be used for the following purposes:

	2025	2024
Research and development	\$ 33,948	\$ 14,253
Deferred compensation funds	174	216
	<u>\$ 34,122</u>	<u>\$ 14,469</u>

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:

	2025	2024
Purpose restrictions:		
Departments within UW	<u>\$ 50,775</u>	<u>\$ 50,269</u>

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, 2025, the Foundation maintained 694 active license agreements, of which 10 agreements generate approximately 76% of the total royalties recognized by the Foundation. On average, there are approximately 16 years remaining on those 10 agreements at June 30, 2025.

At June 30, 2024, the Foundation maintained 727 active license agreements, of which 10 agreements generate approximately 86% of the total royalties recognized by the Foundation. On average, there are approximately 14 years remaining on those 10 agreements at June 30, 2024.

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.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

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

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 \$20,756 and \$26,589 during the years ended June 30, 2025 and 2024, 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 \$8,938 and \$9,073 during the years ended June 30, 2025 and 2024, respectively. Total net royalties and license fees, presented as royalty income with the statements of activities recognized during the years ended June 30, 2025 and 2024, were \$11,818 and \$17,516, 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, 2025 and 2024, the Foundation estimated that there was approximately \$2,500 and \$2,300, respectively, of uncollected royalties. The opening balance as of July 1, 2023, for contract assets, was \$2,300. In addition, the Foundation evaluates contract assets for impairment annually. Management has determined that no impairment of contract assets existed in 2025 or 2024.

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.

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 one year at June 30, 2025 and 2024.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

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

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.

Measure of operations: The Foundation reports a change in net assets from operating activities, including all operating revenue and expense that are an integral part of its programs and supporting activities, net assets released from donor restriction to support operating expenditures and transfers from board-designated and other nonoperating funds to support current operating activities. The measure of operations excludes investment return and changes in value of pension benefits.

Subsequent events: Management of the Foundation has evaluated subsequent events through October 3, 2025, 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.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

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

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, 2025 and 2024, 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, 2025 and 2024, 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 and hedge 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.

Investments in securities traded on national securities exchanges, including 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. The valuation of convertible notes receivable, which are not traded in an active market, are determined using a probability-weighted expected return model (PWERM) with a combination of discounted cash flow (DCF) method and Black-Scholes option pricing models (OPM), which estimated the probability-weighted valued across multiple scenarios.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (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, 2025 and 2024:

	2025			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	\$ 182,461	\$ 182,461	\$ -	\$ -
Common stocks:				
U.S. domestic small-cap value	421,766	421,766	-	-
Mutual funds	65,758	65,758	-	-
U.S. Treasury notes	464,969	-	464,969	-
Convertible notes in startup companies	9,934	-	-	9,934
Subtotal	1,144,888	\$ 669,985	\$ 464,969	\$ 9,934
Investments in funds measured at NAV:				
Investment companies	390,087			
Index funds	933,861			
Private equity	691,854			
Real estate funds	155,812			
Investments in startup companies valued at the measurement alternative	71,935			
Total investments	<u>\$ 3,388,437</u>			
	2024			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	\$ 62,957	\$ 62,957	\$ -	\$ -
Common stocks:				
U.S. domestic small-cap value	428,590	428,590	-	-
Mutual funds	90,843	90,843	-	-
U.S. Treasury notes	104,963	-	104,963	-
Mortgage backed securities	94,638	-	94,638	-
Asset backed securities	26,749	-	26,749	-
Corporate convertible bonds	675	-	675	-
Corporate bonds	171,826	-	171,826	-
Municipal bonds	64,111	-	64,111	-
Convertible notes in startup companies	10,300	-	-	10,300
Subtotal	1,055,652	\$ 582,390	\$ 462,962	\$ 10,300
Investments in funds measured at NAV:				
Investment companies	408,036			
Index funds	889,882			
Private equity	604,502			
Real estate funds	170,427			
Investments in startup companies valued at the measurement alternative	50,576			
Total investments	<u>\$ 3,179,075</u>			

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

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

The following table presents changes in Level 3 financial instruments as of June 30, 2025 and 2024:

	2025	2024
Purchases	\$ 3,467	\$ 6,900
Conversions to equity	(1,500)	(4,582)

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

Investment Strategy	2025	2024	Unfunded Commitment as of June 30, 2025
International ^(a)	\$ 532	\$ 2,191	\$ 1,518
Healthcare ^(b)	138,265	113,832	68,890
Venture capital ^(c)	500,901	433,736	192,814
Financial services ^(d)	16,923	21,931	2,047
Other ^(e)	35,233	32,812	22,339
	<u>\$ 691,854</u>	<u>\$ 604,502</u>	<u>\$ 287,608</u>

- (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, 2025, regarding making additional investments in the above underlying funds.

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, 2025 and 2024, there were no suspensions of investor redemption rights.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (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, 2025:

Investment Strategy	Fair Value	Redemptions Permitted	Redemption Notice Period In Days
Global Macro	\$ 48,966	Monthly	5
Multi-Strategy	42,867	Quarterly	65
Equity Arbitrage and Relative Value	698	Monthly	30
Fixed Income-Structured Credit	153,579	Quarterly	60-75
Equity Long/Short	633	Quarterly	60
Emerging Markets	143,344	Monthly	15-30
	<u>\$ 390,087</u>		

The following table summarizes the Foundation's investments in investment companies by strategy, which are valued using the practical expedient, as of June 30, 2024:

Investment Strategy	Fair Value	Redemptions Permitted	Redemption Notice Period In Days
Global Macro	\$ 42,627	Monthly	5
Multi-Strategy	78,317	Quarterly	65
Equity Arbitrage and Relative Value	23,954	Monthly	30
Fixed Income-Structured Credit	142,535	Quarterly	60-75
Equity Long/Short	1,409	Quarterly	60
Emerging Markets	119,194	Daily	15-30
	<u>\$ 408,036</u>		

The following table summarizes the Foundation's investments in other investments, which are valued using the practical expedient, as of June 30, 2025 and 2024:

Investment Type	2025 Fair Value	2024 Fair Value	Redemptions Permitted	Redemption Notice Period In Days
Index funds	\$ 933,861	\$ 889,882	Daily	None
Real estate funds	155,812	170,427	Not Permitted	-

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 3. 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.

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.

The Foundation invests in various funds. In the event these funds liquidate, the Foundation may be exposed to risk. The risk of liquidation depends on strategies of fund managers. It is the Foundation's policy to review their investments. For the years ended June 30, 2025 and 2024, the Foundation had two major investments in funds. An investment is considered major if the investment represents more than 10% of the total investments. The two major investments represent approximately 37% and 22% of total investments excluding the investments in startup companies for the years ended June 30, 2025 and 2024.

As of June 30, 2025 and 2024, the following financial assets are available to meet general expenditures within one year:

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	\$ 8,552	\$ 11,032
Receivables	227	5,951
Contract assets	2,500	2,300
Due from broker	11,190	-
Due from WiCell Research Institute, Inc.	265	279
Investments	3,306,568	3,118,199
Investments in start-up companies	81,869	60,876
Accrued interest and dividends	6,775	5,639
Other assets	348	127
Total financial assets	3,418,294	3,204,403
Less amounts not available to be used within one year:		
Investments in non-liquid securities (private equity and real estate funds)	(847,666)	(774,929)
Investments in non-liquid start-up companies	(81,869)	(60,876)
Assets held for others	(678,140)	(598,431)
Assets with donor and board restrictions	(84,897)	(64,738)
Financial assets not available to be used within one year	(1,692,572)	(1,498,974)
Financial assets available to meet general expenditures within one year	\$ 1,725,722	\$ 1,705,429

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 4. 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 16, 2026.

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, 2025 and 2024, there was no outstanding balance under the agreement.

Note 5. 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, 2025 and 2024, bonds payable consisted of the following:

	2025	2024
Series 2019 Taxable Bonds	\$ 225,000	\$ 225,000
Less unamortized discount	(842)	(877)
Less unamortized bond issuance costs	(349)	(363)
	<u>\$ 223,809</u>	<u>\$ 223,760</u>

Total interest cost incurred during the years ended June 30, 2025 and 2024, 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 6. Property and Equipment

A summary of property and equipment at June 30, 2025 and 2024, follows:

	2025	2024
Land	\$ -	\$ 11,651
Building and improvements	17,223	142,347
Furniture and equipment	6,481	25,100
Construction in progress	80	932
Accumulated depreciation	(11,106)	(73,263)
	<u>\$ 12,678</u>	<u>\$ 106,767</u>

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 6. Property and Equipment (Continued)

In connection with a memorandum of understanding executed between the Foundation, UW, and Morgridge, the Foundation has committed to funding the costs for certain construction activities in the Foundation's owned Vivarium facility. Based on the estimated cost of the construction project, this commitment amounts to approximately \$3,250.

Note 7. Payable to the University of Wisconsin-Madison

Amounts payable to UW at June 30, 2025 and 2024, consisted of the following:

	2025	2024
Current and prior year grants	\$ 87,604	\$ 94,055
Departmental royalty funds	162,165	155,842
Undistributed current year income on:		
Departmental royalty funds	10,352	5,865
Donor-directed funds	2,666	2,641
	<u>\$ 262,787</u>	<u>\$ 258,403</u>

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 8. Payable to Morgridge Institute for Research 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 0.14% per annum 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.

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

	2025	2024
Grants	\$ 5,200	\$ 5,300
Investments held for Morgridge	515,975	442,589
Distribution payable	16,176	19,639
Other payables	396	267
	<u>\$ 537,747</u>	<u>\$ 467,795</u>

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 8. Payable to Morgridge Institute for Research and Rent Income (Continued)

The Foundation leased 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 was 15 years, with annual rent paid at a base rate of \$2,250 per year, with 2% per year incremental increases in lease payments after July 1, 2023. Rent income from building lease, including base rent and other operating expenses, totaled \$4,140 and \$4,015 for the years ended June 30, 2025 and 2024, respectively, and is included in other income on the statements of activities.

On June 26, 2025, the Foundation executed a Lease Termination Agreement with Morgridge. The lease termination was executed concurrently with the donation of the Wisconsin Institutes for Discovery Condominium property, as described in Note 11, and was a condition of the broader donation agreement among the Foundation, Morgridge, and the UW. Upon the termination, the Foundation derecognized the leased asset and any associated lease receivable or deferred rent balances as of the termination date. No gain or loss was recognized from the lease termination, as the lease was replaced by a contribution of the underlying asset to the former tenant.

Note 9. 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 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.

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.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 9. Retirement Plans (Continued)

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

	Pension Benefits		Other Post-Retirement Benefits	
	2025	2024	2025	2024
Change in benefit obligation:				
Projected benefit obligation, beginning of year	\$ 43,649	\$ 42,510	\$ 2,500	\$ 2,600
Interest cost	2,253	2,048	-	-
Service cost	2,541	2,667	219	79
Actuarial gain	57	(2,916)	-	-
Benefits paid	(1,408)	(660)	(219)	(179)
Projected benefit obligation, end of year	47,092	43,649	2,500	2,500
Change in plan assets:				
Fair value of plan assets, beginning of year	42,162	35,128	-	-
Contributions from employer	2,400	2,400	219	179
Actual return on plan assets	5,303	5,294	-	-
Benefits paid	(1,408)	(660)	(219)	(179)
Fair value of plan assets, end of year	48,457	42,162	-	-
Funded status of the Plans	\$ 1,365	\$ (1,487)	\$ (2,500)	\$ (2,500)
Accumulated benefit obligation	\$ 40,031	\$ 36,289		
Amounts recognized on the statements of financial position:				
Pension asset (liability)	\$ 1,365	\$ (1,487)	\$ -	\$ -
Accrued other post-retirement benefits	\$ -	\$ -	\$ (2,500)	\$ (2,500)
Amounts not yet recognized on the statements of activities as a change in net assets without restriction:				
Net actuarial gain	\$ (9,909)	\$ (7,828)	\$ -	\$ -

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 9. 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, 2025 and 2024:

	Pension Benefits		Other Post-Retirement Benefits	
	2025	2024	2025	2024
Components of net periodic benefit cost:				
Service cost	\$ 2,541	\$ 2,667	\$ 219	\$ 79
Interest cost	2,253	2,048	-	-
Expected return on plan assets	(2,850)	(2,404)	-	-
Amortization of net gain	(315)	-	-	-
Net periodic benefit cost	1,629	2,311	219	79
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	4	(3,406)	-	-
Contributions from employer	(2,400)	(2,400)	-	-
Amortization of net loss	315	-	-	-
Total recognized in changes in net assets without donor restriction	(2,081)	(5,806)	-	-
Total recognized in net periodic benefit cost and changes in net assets	\$ (452)	\$ (3,495)	\$ 219	\$ 79

The following is cash flow information and assumptions used for the plans during the years ended June 30, 2025 and 2024:

	Pension Benefits		Other Post-Retirement Benefits	
	2025	2024	2025	2024
Amounts recognized for the years:				
Benefits paid	\$ 1,408	\$ 660	\$ 219	\$ 179
Employer contributions	2,400	2,400	-	-
Weighted average assumptions used to determine the benefit obligations at the end of the year were as follows:				
Discount rate	5.30%	5.30%	5.30%	5.30%
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	5.30%	4.90%	5.30%	4.90%
Rate of compensation increase	3.00%	3.00%	0.00%	0.00%
Expected long-term return on plan assets	6.75%	6.75%	0.00%	0.00%

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 9. Retirement Plans (Continued)

For measurement purposes, at June 30, 2025, a 7% (health) and 3% (dental) annual rate of increase in the cost of health care benefits was assumed relative to the other post-retirement benefits plan. At June 30, 2024, a 8% (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.

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, 2025 and 2024.

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, 2025 and 2024, by asset category, are as follows:

Asset Category	Fair Value Measurements At June 30, 2025		Fair Value Measurements At June 30, 2024	
	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	\$ 2,249	\$ 2,249	\$ 1,889	\$ 1,889
Mid Cap Equity	4,788	4,788	4,025	4,025
Large Cap Equity	20,999	20,999	19,526	19,526
International Equity	4,826	4,826	3,892	3,892
Fixed income:				
Corporate Bond	3,710	3,710	3,631	3,631
Intermediate Core Bond	8,310	8,310	7,296	7,296
	44,882	\$ 44,882	40,259	\$ 40,259
Money market funds	3,575		1,903	
	<u>\$ 48,457</u>		<u>\$ 42,162</u>	

There were no Level 2 or 3 assets as of June 30, 2025 or 2024.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 9. Retirement Plans (Continued)

The Foundation expects to make contributions of \$2,400 to the pension plan in 2026.

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:		
2026	\$ 2,830	\$ 239
2027	1,384	220
2028	2,827	169
2029	4,414	115
2030	1,396	123
2031-2035	18,673	1,291

Note 10. Functional Expenses

Expenses related to the Foundation's operations for the years ended June 30, 2025 and 2024, is summarized as follows:

	2025			
	Program Services	Management and General Expenses	Fundraising	Total
Grants and other assistance	\$ 156,397	\$ -	\$ -	\$ 156,397
Salaries, wages and benefits	6,544	8,790	-	15,334
Legal services	963	69	-	1,032
Accounting services	-	234	-	234
Lobbying fees	-	67	-	67
Investment management fees	-	175	-	175
Other fees	557	174	-	731
Advertising and promotion	-	194	-	194
Office expenses	73	94	-	167
Information technology	-	510	-	510
Occupancy	1,676	229	-	1,905
Travel	157	117	-	274
Conferences, conventions and meetings	78	84	-	162
Interest	-	8,068	-	8,068
Depreciation and amortization	3,645	43	-	3,688
Insurance	230	259	-	489
Domestic legal/patents	8,544	-	-	8,544
Foreign legal/patents	2,103	-	-	2,103
Foreign patent maintenance fees	974	-	-	974
U.S. patent maintenance fees	850	-	-	850
Other expenses	836	539	-	1,375
	<u>\$ 183,627</u>	<u>\$ 19,646</u>	<u>\$ -</u>	<u>\$ 203,273</u>

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 10. Functional Expenses (Continued)

	2024			
	Program Services	Management and General Expenses	Fundraising	Total
Grants and other assistance	\$ 92,080	\$ -	\$ -	\$ 92,080
Salaries, wages and benefits	6,470	8,778	-	15,248
Legal services	377	44	-	421
Accounting services	-	251	-	251
Lobbying fees	-	72	-	72
Investment management fees	-	273	-	273
Other fees	322	138	-	460
Advertising and promotion	-	140	-	140
Office expenses	65	75	-	140
Information technology	-	487	-	487
Occupancy	1,990	233	-	2,223
Travel	135	101	-	236
Conferences, conventions and meetings	79	75	-	154
Interest	-	8,068	-	8,068
Depreciation and amortization	3,630	20	-	3,650
Insurance	236	265	-	501
Domestic legal/patents	10,290	-	-	10,290
Foreign legal/patents	2,115	-	-	2,115
Foreign patent maintenance fees	1,116	-	-	1,116
U.S. patent maintenance fees	932	-	-	932
Other expenses	632	377	-	1,009
	<u>\$ 120,469</u>	<u>\$ 19,397</u>	<u>\$ -</u>	<u>\$ 139,866</u>

Note 11. Property Contribution

On June 10, 2025, the Foundation entered into a donation agreement with Morgridge and the UW whereby, on June 26, 2025, the Foundation contributed its 70% ownership interest in "Unit 2" of the Wisconsin Institutes for Discovery Condominium (Discovery Center) to Morgridge and the UW. The contribution was divided between Morgridge and the UW in a split of 50% and 20%, respectively.

The fair value of the contributed property was determined by an independent appraisal using the sales comparison method and was valued at \$55,820. The Foundation recognized this amount as a contribution expense in the statement of activities for the year ended June 30, 2025. Of the total \$55,820 contribution expense, \$39,871 related to the contribution to Morgridge and \$15,949 related to the contribution to the UW.

At the time of the contribution, the net book value of the contributed property was greater than the fair value. As a result, the Foundation recognized a loss of \$36,737, representing the difference between the net book value and the fair value of the property contributed. This loss is presented as an operating loss on the statement of activities.

Wisconsin Alumni Research Foundation

Notes to Financial Statements (Amounts in Thousands)

Note 11. Property Contribution (Continued)

As part of the contribution transaction, the Foundation has conditionally pledged \$20,000 to fund future condominium assessments and capital repairs to the Discovery Center, to be called by the Wisconsin Institutes for Discovery Condominium Association, Inc. over a 30-year period. The Foundation will recognize its obligation and expense based on approved assessments and project expenses. As of June 30, 2025, no amounts have been disbursed under this commitment, and no liability has been recorded. Upon the 30th anniversary of the donation agreement, any remaining unused balance of the pledge, including investment earnings, will be distributed equally from the Foundation to Morgridge and UW (if they retain its ownership interest in the Discovery Center).