



UNIVERSITY OF WASHINGTON FOUNDATION

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

UNIVERSITY OF WASHINGTON FOUNDATION

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KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Executive Committee
University of Washington Foundation:

We have audited the accompanying financial statements of the University of Washington Foundation, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Washington Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Seattle, Washington
October 23, 2020

UNIVERSITY OF WASHINGTON FOUNDATION

Statements of Financial Position

June 30, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash	\$ 305,049	237,296
Accounts receivable other	111,950	68,426
Grants receivable	<u>11,602,104</u>	<u>6,453,178</u>
Total current assets	<u>12,019,103</u>	<u>6,758,900</u>
Total assets	<u>\$ 12,019,103</u>	<u>6,758,900</u>
Liabilities and Net Assets		
Current liabilities:		
Deferred Income	<u>\$ 400,500</u>	<u>—</u>
Total liabilities	<u>400,500</u>	<u>—</u>
Net assets:		
Net assets without donor restrictions	305,049	237,296
Net assets with donor restrictions	<u>11,313,554</u>	<u>6,521,604</u>
Total net assets	<u>11,618,603</u>	<u>6,758,900</u>
Total liabilities and net assets	<u>\$ 12,019,103</u>	<u>6,758,900</u>

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON FOUNDATION

Statement of Activities

Year ended June 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and support:			
Grants	\$ —	114,192,760	114,192,760
Contributions	66,133,953	—	66,133,953
University of Washington support	539,528	—	539,528
Other revenue	—	501,844	501,844
Net assets released from restriction	<u>109,902,654</u>	<u>(109,902,654)</u>	<u>—</u>
Total revenue and support	<u>176,576,135</u>	<u>4,791,950</u>	<u>181,368,085</u>
Expenses:			
Transfers to University of Washington	175,880,507	—	175,880,507
General and administrative	<u>627,875</u>	<u>—</u>	<u>627,875</u>
Total expenses	<u>176,508,382</u>	<u>—</u>	<u>176,508,382</u>
Change in net assets	67,753	4,791,950	4,859,703
Net assets, beginning of year	<u>237,296</u>	<u>6,521,604</u>	<u>6,758,900</u>
Net assets, end of year	<u>\$ 305,049</u>	<u>11,313,554</u>	<u>11,618,603</u>

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON FOUNDATION

Statement of Activities

Year ended June 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and support:			
Grants	\$ —	82,505,111	82,505,111
Contributions	68,089,721	—	68,089,721
University of Washington support	600,693	—	600,693
Other revenue	—	424,220	424,220
Net assets released from restriction	<u>85,550,789</u>	<u>(85,550,789)</u>	<u>—</u>
Total revenue and support	<u>154,241,203</u>	<u>(2,621,458)</u>	<u>151,619,745</u>
Expenses:			
Transfers to University of Washington	153,452,074	—	153,452,074
General and administrative	<u>709,307</u>	<u>—</u>	<u>709,307</u>
Total expenses	<u>154,161,381</u>	<u>—</u>	<u>154,161,381</u>
Change in net assets	79,822	(2,621,458)	(2,541,636)
Net assets, beginning of year	<u>157,474</u>	<u>9,143,062</u>	<u>9,300,536</u>
Net assets, end of year	<u><u>\$ 237,296</u></u>	<u><u>6,521,604</u></u>	<u><u>6,758,900</u></u>

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON FOUNDATION

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,859,703	(2,541,636)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Grants and other receivables	(5,192,450)	2,621,458
Deferred income	400,500	—
Net cash provided by operating activities	<u>67,753</u>	<u>79,822</u>
Cash at beginning of year	<u>237,296</u>	<u>157,474</u>
Cash at end of year	<u>\$ 305,049</u>	<u>237,296</u>

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON FOUNDATION

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

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

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

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

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

As of March 01, 2019, the Foundation may receive outright gifts of cash made via an electronic instrument (wire, ACH, etc.).

UNIVERSITY OF WASHINGTON FOUNDATION

Notes to Financial Statements

June 30, 2020 and 2019

(b) Basis of Presentation

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

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

- *Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations or temporarily restricted support received during the fiscal period, for which a restriction expires or the purpose is accomplished during the fiscal period. Also, support received in the form of endowment or sustaining funds without donor restrictions on specific fund usage are considered net assets without donor restrictions.
- *Net Assets with Donor Restrictions* – Support received subject to a donor-imposed time restriction or stipulation for a particular purpose is considered net assets with donor restrictions. Also, support received in the form of endowment or sustaining funds with donor restrictions on specific fund usage and amounts of underwater endowments are considered net assets with donor restrictions. As of June 30, 2020, the Foundation did not have any endowment or sustaining funds with donor restrictions on specific fund usage or underwater endowments.

(c) Cash

The Foundation's cash is managed by the University through the Treasurer of the Board of Regents. During 2020 and 2019, the Foundation's funds on deposit with the University were invested in the University's Invested Funds Pool (IFP). The IFP holds all excess operating cash of University departments and the funds are available on demand without prior notice or penalty.

(d) Grants Receivable

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

(e) Revenue Recognition

Contributions without donor restrictions, including unconditional promises or grants, are recognized as a contribution when the donor's commitment is received. Contributions received that are restricted by the donor are reported as a contribution with donor restrictions when received, then are reclassified to without donor restrictions when the donor's conditions are met. Out of the total revenue received, grant and other revenue are conditional contributions when received, because the providers have a right of return of the assets and one or more barriers, such as milestones, or progress reports, need to be overcome before the Foundation is entitled to the transferred assets. However, the conditions are lifted within the same fiscal year the revenue is recognized. Based on the nature of the transactions, all of the Foundation's revenue is considered as contribution since the asset providers do not receive commensurate value in return.

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Notes to Financial Statements

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(f) Donated Goods and Services

Certain University of Washington staff provide administrative services to the Foundation. The estimated value of these services, \$539,528 and \$600,693 in 2020 and 2019 respectively, is reported as revenue and as general and administrative expenses in the Foundation's financial statements.

(g) Transfers to the University

Transfers to the University consist of grants, gifts, work order and consulting order funds the Foundation receives during the year. The amount of transfers to the University for the years ended June 30, 2020 and 2019 was \$175,880,507 and \$153,452,074, respectively.

(h) Income Tax

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

ASC 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of any uncertain tax position taken or expected to be taken in a tax return. Management believes there are no such uncertain tax positions for the Foundation for the years ended June 30, 2020 and 2019.

(i) Use of Estimates

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

(j) Implementation of New Accounting Standard

The Foundation has adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, effective July 1, 2019. The guidance includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. All of the Foundation's revenue are contributions instead of exchanges since the asset providers do not receive commensurate value in return. The adoption of the guidance did not result in significant changes in the way the Foundation records its contribution revenue. The adoption of the Accounting Standard Update did not affect the presentation of the Foundation's statements of financial position, statements of activities or statement of cash flows.

(2) Grants Receivable

Grants receivable were \$11,602,104 and \$6,453,178 at June 30, 2020 and 2019, respectively. As of June 30, 2020, all of the grants receivable balance was from two significant donors. Management believes the balance of grants receivable are fully collectible and has not recorded an allowance on this balance.

Conditional grants receivable are not recorded until the conditions are substantially met. Conditional grants receivable were \$276,704,934 as of June 30, 2020, which are primarily conditioned on meeting certain program initiatives and milestones.

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Notes to Financial Statements

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(3) Deferred Other Income

Deferred other income represents funds that the Foundation has received in advance for events that will take place in a future year. Deferred other income was \$400,500 and \$0 at June 30, 2020 and 2019, respectively. As of June 30, 2020, the deferred other income was from one donor and represented grant payments received from the donor before the grant agreements were officially signed and executed.

(4) Agreement with Third-Party Foundation

During the year ended June 30, 2012, the Foundation entered into an agreement with a third-party foundation, where the third-party foundation provides funding to the Foundation to fund the University's performance of charitable services and develop certain materials to be used as educational and training tools. Under this agreement, work orders and/or consulting orders may be executed in future years to perform additional charitable services agreed upon by both parties. The University retains the right to all materials produced in connection with performance of these services and is free to publish any results or materials arising from the agreement. No consideration is provided to the third-party foundation, and therefore, this activity is a non-exchange transaction. Revenue related to charitable services provided during the years ended June 30, 2020 and 2019 was \$501,844 and \$424,220, respectively, and was recorded as other revenue. Receivables related to this agreement were \$111,950 and \$68,426, as of June 30, 2020 and 2019, respectively, and were recorded as other receivables. The Foundation records all amounts as net assets with donor restrictions until funds are distributed to the University.

(5) Concentrations

Financial instruments that subject the Foundation to concentrations of credit risk consist of cash in the University of Washington IFP and grants receivable. As of June 30, 2020, all of the Foundation's cash and cash equivalents were invested in the University of Washington IFP, and 96.6% of the grants receivable balance and all of the other receivables balance were from one significant donor.

(6) Liquidity and Availability of Financial Resources

The Foundation regularly monitors liquidity to meet its cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designations and external limitations imposed by donors. As of June 30, 2020, \$305,049 of cash is available to be used for general expenditures of the Foundation within one year, while \$111,950 of other accounts receivable and \$11,602,104 of grants receivable are expected to be collected and remitted directly to the University. Other accounts receivable and grants receivable are not available for general operating needs. The University is also expected to continue to provide financial support to the Foundation.

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Notes to Financial Statements

June 30, 2020 and 2019

(7) Expenses by Nature and Function

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

Year ended June 30, 2020				
	<u>Transfer to UW</u>	<u>Board relations</u>	<u>General operations</u>	<u>Total expense</u>
Professional fees	\$ —	237,737	301,791	539,528
Rental expense	—	6,630	—	6,630
Other services	—	81,717	—	81,717
Transfers to the university	<u>175,880,507</u>	<u>—</u>	<u>—</u>	<u>175,880,507</u>
Total expenses	\$ <u>175,880,507</u>	<u>326,084</u>	<u>301,791</u>	<u>176,508,382</u>

Year ended June 30, 2019				
	<u>Transfer to UW</u>	<u>Board relations</u>	<u>General operations</u>	<u>Total expense</u>
Professional fees	\$ —	289,572	369,002	658,574
Rental expense	—	16,044	—	16,044
Other services	—	34,689	—	34,689
Transfers to the university	<u>153,452,074</u>	<u>—</u>	<u>—</u>	<u>153,452,074</u>
Total expenses	\$ <u>153,452,074</u>	<u>340,305</u>	<u>369,002</u>	<u>154,161,381</u>

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

(8) Subsequent Events

The Foundation has performed an evaluation of subsequent events through October 23, 2020, which is the date these financial statements were available to be issued.