

**The UWM Foundation, Inc.  
and Affiliates**

Milwaukee, Wisconsin

Consolidated Financial Statements and Supplementary  
Information

Years Ended June 30, 2017 and 2016

**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants



## **Independent Auditor's Report**

Board of Directors  
The UWM Foundation, Inc. and Affiliates  
Milwaukee, Wisconsin

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of The UWM Foundation, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The UWM Foundation, Inc. and Affiliates as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.



## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information appearing pages 30 through 33 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Wipfli LLP*

Wipfli LLP  
Milwaukee, Wisconsin

December 4, 2017

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Financial Position

June 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 10,474,931	\$ 5,882,869
Accrued investment income	204,704	163,035
Receivables:		
Accounts - Net	160,107	697,799
Current portion of pledges	7,405,741	7,896,742
Prepaid expenses and other	202,246	171,752
<b>Total current assets</b>	<b>18,447,729</b>	<b>14,812,197</b>
<b>Investments</b>	<b>129,331,981</b>	<b>103,781,299</b>
<b>Property and equipment - Net</b>	<b>76,701,292</b>	<b>80,095,498</b>
Other assets:		
Restricted cash and cash equivalents	21,563	70,244
Cash surrender value of life insurance	1,173,988	1,144,510
Split interest contributions receivable from charitable remainder trusts	23,448	23,448
Pledges receivable, less current portion - Net	8,793,738	9,463,139
<b>Total other assets</b>	<b>10,012,737</b>	<b>10,701,341</b>
<b>TOTAL ASSETS</b>	<b>\$ 234,493,739</b>	<b>\$ 209,390,335</b>

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Financial Position (Continued)

June 30, 2017 and 2016

Liabilities and Net Assets	2017	2016
Current liabilities:		
Current maturities of bonds and notes payable	\$ 1,635,391	\$ 2,503,604
Due to the University of Wisconsin-Milwaukee	2,208,130	3,755,053
Amounts payable under fiscal agent responsibilities	454,400	407,413
Accounts payable	148,991	194,587
Accrued interest payable	690,694	5,330,651
Deferred revenue	91,957	51,948
Accrued liabilities	441,060	562,154
<b>Total current liabilities</b>	<b>5,670,623</b>	<b>12,805,410</b>
Long-term liabilities:		
Interest rate swap agreements	-	756,036
Bonds and notes payable, less current maturities - Net	82,940,193	62,312,066
Deferred revenue	1,010,912	870,130
<b>Total long-term liabilities</b>	<b>83,951,105</b>	<b>63,938,232</b>
<b>Total liabilities</b>	<b>89,621,728</b>	<b>76,743,642</b>
Net assets:		
Unrestricted	865,121	2,807,484
Temporarily restricted	123,952,169	109,997,348
Permanently restricted	20,054,721	19,841,861
<b>Total net assets</b>	<b>144,872,011</b>	<b>132,646,693</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 234,493,739</b>	<b>\$ 209,390,335</b>

See accompanying notes to consolidated financial statements.

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>				
Contributions	\$ 1,302,220	\$ 22,497,146	\$ 198,370	\$ 23,997,736
Contributed goods and services	3,143,032	-	-	3,143,032
Rent, parking, and meals	5,693,336	-	-	5,693,336
Investment income	1,650,991	10,202,285	-	11,853,276
Change in value of interest rate swap agreements	113,482	-	-	113,482
Loss on sale of land and building	(809,502)	-	-	(809,502)
Net assets released from restrictions	17,973,041	(17,973,041)	-	-
<b>Total support and revenue</b>	<b>29,066,600</b>	<b>14,726,390</b>	<b>198,370</b>	<b>43,991,360</b>
<b>Distributions to the University of Wisconsin-Milwaukee:</b>				
Student financial aid	3,499,210	-	-	3,499,210
Teaching and departmental programs	2,961,098	-	-	2,961,098
Community service	25,247	-	-	25,247
Research	587,262	-	-	587,262
Special projects	8,346,374	-	-	8,346,374
<b>Total distributions</b>	<b>15,419,191</b>	<b>-</b>	<b>-</b>	<b>15,419,191</b>
<b>Expenses:</b>				
Program	10,962,564	-	-	10,962,564
General administration	1,717,917	-	-	1,717,917
Fundraising	3,666,370	-	-	3,666,370
<b>Total expenses</b>	<b>16,346,851</b>	<b>-</b>	<b>-</b>	<b>16,346,851</b>
Excess (deficiency) of support and revenue over distributions and expenses	(2,699,442)	14,726,390	198,370	12,225,318
<b>Other changes in net assets:</b>				
Recharacterization of net assets	757,079	(757,079)	-	-
Net asset transfer for changes in donor designated restrictions	-	(14,490)	14,490	-
Change in net assets	(1,942,363)	13,954,821	212,860	12,225,318
Net assets at beginning of year	2,807,484	109,997,348	19,841,861	132,646,693
<b>Net assets at end of year</b>	<b>\$ 865,121</b>	<b>\$ 123,952,169</b>	<b>\$ 20,054,721</b>	<b>\$ 144,872,011</b>

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Activities (Continued)

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>				
Contributions	\$ 1,009,490	\$ 24,412,297	\$ 383,735	\$ 25,805,522
Contributed goods and services	3,148,219	-	-	3,148,219
Rent, parking, and meals	9,133,432	-	-	9,133,432
Investment income	765,263	1,123,826	-	1,889,089
Change in value of interest rate swap agreements	(241,024)	-	-	(241,024)
Net assets released from restrictions	17,797,197	(17,797,197)	-	-
<b>Total support and revenue</b>	<b>31,612,577</b>	<b>7,738,926</b>	<b>383,735</b>	<b>39,735,238</b>
<b>Distributions to the University of Wisconsin-Milwaukee:</b>				
Student financial aid	3,743,778	-	-	3,743,778
Teaching and departmental programs	4,740,607	-	-	4,740,607
Community service	70,365	-	-	70,365
Research	591,914	-	-	591,914
Special projects	5,106,479	-	-	5,106,479
<b>Total distributions</b>	<b>14,253,143</b>	<b>-</b>	<b>-</b>	<b>14,253,143</b>
<b>Expenses:</b>				
Program	11,932,529	-	-	11,932,529
General administration	1,697,728	-	-	1,697,728
Fundraising	3,730,869	-	-	3,730,869
<b>Total expenses</b>	<b>17,361,126</b>	<b>-</b>	<b>-</b>	<b>17,361,126</b>
Excess of support and revenue over distributions and expenses	(1,692)	7,738,926	383,735	8,120,969
<b>Other changes in net assets:</b>				
Net asset transfer for changes in donor designated restrictions	-	102,675	(102,675)	-
Change in net assets	(1,692)	7,841,601	281,060	8,120,969
Net assets at beginning of year	2,809,176	102,155,747	19,560,801	124,525,724
<b>Net assets at end of year</b>	<b>\$ 2,807,484</b>	<b>\$ 109,997,348</b>	<b>\$ 19,841,861</b>	<b>\$ 132,646,693</b>

See accompanying notes to consolidated financial statements.

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Cashflows

Years Ended June 30, 2017 and 2016

	2017	2016
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 12,225,318	\$ 8,120,969
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Bad debt (recovery) expense	(230,167)	76,240
Depreciation and amortization	2,911,926	3,047,010
Loss on sale of land and building	809,502	-
Net realized and unrealized (gain) loss on investments	(8,806,983)	1,146,232
Donation of investments received	(951,415)	(1,028,992)
Change in value of interest rate swap agreement	(113,482)	241,024
Amortization of debt issuance costs	264,930	208,272
Contributions restricted for long-term investment	(1,126,080)	(589,726)
Changes in operating assets and liabilities:		
Accrued investment income	(41,669)	31,650
Accounts receivable	767,859	(30,096)
Grants receivable	-	1,155,357
Pledges receivable	1,244,396	(6,185,427)
Prepaid expenses and other	(30,494)	28,310
Due to/from the University of Wisconsin-Milwaukee	(1,546,923)	553,948
Deferred revenue	180,791	(313,365)
Accounts payable and accrued expenses	688,249	911,575
<b>Net cash provided by operating activities</b>	<b>6,245,758</b>	<b>7,372,981</b>
Cash flows from investing activities:		
Purchases of property and equipment	(486,717)	(104,217)
Proceeds from sale of fixed assets	159,495	-
Decrease (increase) in restricted cash and cash equivalents	48,681	(6,314)
Increase in cash surrender value of life insurance	(29,478)	(113,252)
Purchases of investments	(90,242,145)	(27,442,971)
Proceeds from sales of investments	74,449,861	19,289,527
<b>Net cash used in investing activities</b>	<b>(16,100,303)</b>	<b>(8,377,227)</b>

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Cashflows (Continued)

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from financing activities:		
Proceeds from contributions for permanent endowment	247,490	388,975
Proceeds from contributions for construction of building	794,596	2,373,848
Proceeds from debt issuance	17,478,461	-
Repayment on bonds and notes payable	(4,026,857)	(1,486,571)
Payment of bond issuance costs	(47,083)	(212,289)
<b>Net cash provided by financing activities</b>	<b>14,446,607</b>	<b>1,063,963</b>
Net increase in cash and cash equivalents	4,592,062	59,717
Cash and cash equivalents at beginning of year	5,882,869	5,823,152
Cash and cash equivalents at end of year	\$ 10,474,931	\$ 5,882,869
<b>Supplemental disclosure of cash flow information:</b>		
Costs and liabilities financed or paid as part of debt refinancing:		
Refinance of bond and notes payable	\$ 63,747,218	\$ -
Loan fee costs	633,650	-
Interest rate swaps paid off	642,554	-
Accrued interest paid	5,447,909	-
<b>Total costs and liabilities financed or paid as part of debt refinancing</b>	<b>\$ 70,471,331</b>	<b>\$ -</b>
Cash paid during the year for interest	\$ 3,160,131	\$ 3,120,811

See accompanying notes to consolidated financial statements.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Activities

The UWM Foundation, Inc. (the "UWM Foundation") is a nonstock, nonprofit organization incorporated under the laws of the State of Wisconsin to aid the University of Wisconsin-Milwaukee (the "University") by soliciting, for the benefit of the University, gifts of real property, personal property, or both, from individuals, associations, corporations or other entities and to hold, administer, use, or distribute the same in the advancement of the scientific, literary, and educational purposes of the University.

The UWM Real Estate Foundation, Inc. (the "Real Estate Foundation") is a nonstock, nonprofit organization incorporated under the laws of the State of Wisconsin whose sole member is the UWM Foundation. The Real Estate Foundation is operated, supervised, and controlled by the UWM Foundation to accept, acquire, lease, hold, develop, operate, manage, sell, transfer, and otherwise deal in real estate for use and enjoyment by, in furtherance of the purposes of, and for the exclusive benefit of, The UWM Foundation and the University.

The UWM Research Foundation, Inc. (the "Research Foundation") is a nonstock, nonprofit organization incorporated under the laws of the State of Wisconsin whose sole member is the UWM Foundation. The primary purpose of the Research Foundation is to support research and innovation at the University by providing funding for scholarships and grants and by engaging in corporate partnering activities.

UWM Innovation Park, LLC ("Innovation Park") is a for-profit limited liability company created under the laws of the State of Wisconsin whose sole member is the Real Estate Foundation. Innovation Park was formed to acquire, develop, and manage specific property in Milwaukee County. The accounts of Innovation Park have been consolidated into the accounts of the Real Estate Foundation. All intercompany accounts and transactions have been eliminated in the consolidation.

Cambridge Commons, LLC is a nonprofit limited liability company created under the laws of the State of Wisconsin whose sole member is the Real Estate Foundation. Cambridge Commons, LLC was formed to acquire, develop, and manage specific property in Milwaukee County. The accounts of Cambridge Commons, LLC have been consolidated into the accounts of the Real Estate Foundation. All intercompany accounts and transactions have been eliminated in the consolidation.

Innovation Campus Owners Association, Inc. is C-Corporation incorporated under the laws of the State of Wisconsin to serve as an association of owners for UWM Innovation Campus, a development located in the City of Wauwatosa, Wisconsin. The Real Estate Foundation is the controlling member of Innovation Campus Owners Association, Inc. The accounts of Innovation Campus Owners Association, Inc. have been consolidated into the accounts of the Real Estate Foundation. All intercompany accounts and transactions have been eliminated in the consolidation.

#### Principles of Consolidation

The consolidated financial statements include the accounts of the UWM Foundation, the Real Estate Foundation, the Research Foundation, Innovation Park, Cambridge Commons, LLC, and Innovation Campus Owners Association, Inc. (collectively referred to as the "Foundation"). All intercompany accounts and transactions have been eliminated in the consolidation.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

#### Classification of Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

#### Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the results of reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### Cash and Cash Equivalents

The Foundation considers all short-term investments purchased with an original maturity of three months or less to be cash or cash equivalents, excluding amounts whose use is restricted or held as short-term investments in the Foundation's investment portfolio.

#### Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of amounts held in separate accounts under the terms of the bond and note agreements and were set aside to fund certain construction projects and to pay off debt service for the Real Estate Foundation. Amounts that are required for obligations classified as current liabilities are reported as current assets. The restricted cash and cash equivalents balance at June 30, 2017 and 2016 was \$21,563 and \$70,244, respectively.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Accounts Receivable**

Accounts receivable are generally uncollateralized amounts due for dormitory room rentals to students. Payments of accounts receivable are allocated to the specific invoices identified on the student's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Management individually reviews all past due accounts receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amount of accounts receivable is reduced by allowances that reflect management's estimate of uncollectible amounts. Those allowances were \$138,854 and \$369,021 as of June 30, 2017 and 2016, respectively.

#### **Pledges Receivable**

Pledges are recorded as receivables in the year pledged. Pledges and other promises to give whose eventual uses are restricted by donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets, and reclassified to unrestricted net assets when received. Management individually reviews all past due pledges receivable and estimates the portion, if any, of the balance that will not be collected. The carrying amount of the pledges receivable are reduced by allowances which reflect management's estimate of uncollectible amounts.

#### **Property and Equipment**

Property and equipment are recorded at cost and capitalized. The cost of these items, are charged to expense as depreciation computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 15 years for furniture and equipment and 10 to 40 years for buildings and improvements. The Foundation capitalizes interest during the construction period of major capital additions.

Property acquired with grant funds is owned by the Foundation while used in the programs for which it was purchased or in other future authorized programs. However, the funding source has a reversionary interest in assets purchased with grant funds. The disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### **Cash Surrender Value of Life Insurance**

Life insurance policies for which the Foundation is the beneficiary are reported at the cash surrender value of the policy. Changes in the cash surrender value are reported as investment income (loss) under the support and revenue category in temporarily restricted net assets.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Split Interest Agreements with Donors

The Foundation's split interest agreements with donors consist of irrevocable charitable remainder trusts for which the Foundation is the remainder beneficiary. Contribution revenue and a related contribution receivable is recognized at the date the trusts are established at an amount equal to the present value of the Foundation's remainder interest in the trust. The contribution receivable is adjusted during the term of the trust for changes in the estimated future benefits, and such changes are included as temporarily or permanently restricted revenue and support, as applicable. The split interest agreements are discounted at a rate of 6%.

#### Investments

Investments are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in unrestricted revenue and support unless the income or loss is restricted by donor or law.

The Foundation's investments are held in bank-administered trust funds. Management has granted the investment managers discretionary authority over investment decisions based on the Foundation's investment policy.

#### Allocation of Investment Income

Investments of the various funds are commingled for investment purposes and are available as needed to support the approved program expenditures of the respective fund categories. Investment income is allocated to certain restricted funds based on the adjusted balance determined on a market value basis of each component fund. Investment management and custody fees are charged against investment income allocated to unrestricted net assets.

The Foundation allocated a spending rate of 4.00% for 2017 and 2016, respectively, to certain endowment funds based upon a three-year average investment balance determined on a fair value basis. An endowment fund is created when a donor requires that their gift be invested in perpetuity. The gift is held in permanently restricted net assets. If the traditional yield (interest and dividends) is not adequate to support the spending rate, the balance is allocated from realized and unrealized gains on the investments and excess earnings from prior years. The spending rate is subject to investment performance and periodic review by the Foundation's board of directors.

Investment income, including realized and unrealized net gains and losses, on investments of endowment and similar funds are reported as one of the following:

- As increases in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law requires that they be added to the principal of a permanent endowment.
- As increases in temporarily restricted net assets.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Interest Rate Swap Agreements**

The Foundation recognizes all of its derivative instruments which consist entirely of interest rate swap contracts as either assets or liabilities in the consolidated statement of financial position at fair value, as required by GAAP.

The Foundation uses interest rate swaps to manage risks related to interest rate movements. The Foundation's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable rate debt to a fixed rate. Interest rate swap contracts are reported at fair value. The change in fair value of the derivative is recognized as a change in net assets in the period of change. The Foundation documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. It is the policy of the Foundation to execute such contracts with creditworthy counter parties. The Foundation does not use derivatives for trading or speculative purposes.

#### **Amounts Payable Under Fiscal Agent Responsibilities**

In 2008, the Board of Regents of the University of Wisconsin System (the "UW System"), on behalf of the University, accepted a restricted pledge from the Daniel M. Soref Charitable Trust of \$1,731,740 to establish the Daniel M. Soref Learning Commons. The UWM Foundation is serving as the receiving and disbursing fiscal agent for the UW System. Outstanding amounts due under this arrangement totaled \$377,208 at June 30, 2017 and 2016.

The Research Foundation is the fiscal agent for the Medical College of Wisconsin Healthier Wisconsin Partnership grant for the Institute for Urban Agriculture and Nutrition ("IUAN-HWPP"). The Research Foundation is the custodian of the funds and distributes these funds in accordance with the directions of IUAN-HWPP. Thus, The Research Foundation reports both an asset and a liability in the same amount for any undistributed funds for which it is the custodian. Outstanding amounts under this arrangement total \$2,200 and \$7,216 at June 30, 2017 and 2016, respectively.

The Research Foundation is the fiscal agent for the Johnson Controls UWM Research Foundation Research Assistantship grant to a doctoral student attending the University. The Research Foundation is the custodian of the funds and distributes these funds in accordance with the directions of the University's College of Engineering and Applied Sciences. Thus, The Research Foundation reports both an asset and a liability in the same amount for any undistributed funds for which it is the custodian. Outstanding amounts under this arrangement total \$74,992 and \$22,989 at June 30, 2017 and 2016, respectively.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Fair Value Measurements**

The Foundation measures the fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in estimating fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

#### **Contributions**

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift was deemed unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Donated goods and services are recorded as revenue and expense in the accompanying consolidated statements of activities at the estimated fair value. Only contributions of goods and services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills, and would typically need to be purchased if not provided by donation, are recognized.

#### **Administrative Fee**

The Foundation assesses an administrative fee to certain funds, at a rate of 1.95% for both 2017 and 2016, based on the fair value of the applicable fund. Such a fee is deducted from the individual restricted endowment fund earnings and is intended to provide for the Foundation's operating costs and for a portion of certain development and fundraising programs. The fee is included in net assets released from restrictions. The administrative fee is reviewed annually by the Foundation's board of directors.

#### **Revenue Recognition**

Revenues for rent, parking, and meals charged to students of the University and under research agreements with third parties are recognized in the period earned. The Real Estate Foundation has received rental payments in advance from the University which are recognized on the straight-line basis over the term of the lease. Funds received but not earned as of June 30, 2017 and 2016, totaling \$1,102,869 and \$922,078, respectively, have been classified as deferred revenue on the consolidated statements of financial position. Revenues will be recognized in future periods as it is earned.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Tax Status

The UWM Foundation, the Research Foundation, and the Real Estate Foundation, are tax-exempt corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. They are also exempt from state income taxes on related income.

Innovation Park, LLC and Cambridge Commons, LLC, are limited liability companies and are classified as disregarded entities under the Code.

Innovation Campus Owners Association, Inc. is taxed as a C-Corporation for federal and state income tax purposes. Management does not believe that Innovation Campus Owners Association, Inc. has any significant uncertain tax positions or unrecognized tax benefits, accordingly, they recorded no assets or liabilities related to uncertain related to uncertain tax positions.

#### Subsequent Events

Subsequent events have been evaluated through December 4, 2017, which is the date the consolidated financial statements were available to be issued.

#### New Accounting Pronouncement

Accounting Standards Update (ASU) 2015-03, *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, amends FASB ASC 835-30 to require that debt issuance costs related to a recognized debt liability be presented in the consolidated statements of financial position as a direct deduction from the carrying amount of the debt (liability), consistent with debt discounts, and the amortization of debt issuance costs be reported as interest expense. The Foundation adopted this guidance as of and for the year ended June 30, 2017, as required.

In accordance with the transition guidance in ASU 2015-03, the effects of this change have been applied retrospectively to the amounts previously reported in 2016. The following consolidated financial statement line items as of and for the year ended June 30, 2016, were affected by the adoption of this guidance:

<i>As of and for the Year Ended June 30, 2016</i>	<b>As Originally Reported</b>	<b>As Restated</b>	<b>Effect of Change</b>
Consolidated statements of financial position:			
Other assets	\$ 455,009	\$ -	\$ (455,009)
Bonds and notes payable, less current maturities - Net	\$ 62,767,075	\$ 62,312,066	\$ (455,009)
Consolidated statements of cash flows:			
Depreciation and amortization	\$ 3,255,282	\$ 3,047,010	\$ (208,272)
Amortization of debt issuance costs	\$ -	\$ 208,272	\$ 208,272

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 2: Pledges Receivable

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a rate based upon the average of the U.S. Treasury bond rate and the Foundation's borrowing rate. The discount rates used were 2.72% and 2.67% for the years ended June 30, 2017 and 2016, respectively.

The pledges receivable balance is expected to be collected according to the following schedule:

<i>As of June 30,</i>	<b>2017</b>	<b>2016</b>
Less than one year	\$ 7,405,741	\$ 7,896,742
One to five years	9,721,595	10,485,129
Thereafter	119,001	100,000
Gross pledges receivable	17,246,337	18,481,871
Less:		
Unamortized discount	599,953	660,420
Allowance for uncollectible amounts	446,905	461,570
Pledges receivable - Net	16,199,479	17,359,881
Less - Current portion	7,405,741	7,896,742
Pledges receivable, less current portion - Net	\$ 8,793,738	\$ 9,463,139

Of the pledge receivable balance, approximately 37% and 45% is due from two donors at June 30, 2017 and 2016, respectively.

### Note 3: Investments

Investments consist of the following:

<i>As of June 30,</i>	<b>2017</b>		<b>2016</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Money market funds	\$ 4,412,135	\$ 4,412,135	\$ 8,425,467	\$ 8,425,467
U.S. government obligations	14,674,014	14,611,958	7,679,912	7,909,564
Non-U.S. government bonds and fixed income mutual funds	22,920,701	23,056,740	18,217,208	18,515,470
Asset- and mortgaged-backed securities	13,207,309	13,066,224	14,445,486	14,729,862
Equities and equity mutual funds	54,209,139	74,184,924	43,125,188	54,200,936
Total investments	\$ 109,423,298	\$ 129,331,981	\$ 91,893,261	\$ 103,781,299

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 3: Investments (Continued)

Investment income was as follows:

<i>Years Ended June 30,</i>	<b>2017</b>	<b>2016</b>
Interest and dividends	\$ 3,171,900	\$ 3,146,107
Net realized gains on investments	898,793	834,998
Net unrealized gains (losses) on investments	7,908,190	(1,981,230)
Investment trustee and management fees	(125,607)	(110,786)
<b>Total investment income</b>	<b>\$ 11,853,276</b>	<b>\$ 1,889,089</b>

Investments, 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 investments, it is reasonably possible that changes in the values of certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

### Note 4: Property and Equipment

Property and equipment consisted of the following:

<i>As of June 30,</i>	<b>2017</b>	<b>2016</b>
Land and improvements	\$ 17,510,977	\$ 17,728,991
Buildings and improvements	77,086,093	77,575,753
Furniture and equipment	4,673,088	4,873,340
Construction in progress	1,079,204	1,015,744
<b>Total property and equipment</b>	<b>100,349,362</b>	<b>101,193,828</b>
Less - Accumulated depreciation	(23,648,070)	(21,098,330)
<b>Property and equipment - Net</b>	<b>\$ 76,701,292</b>	<b>\$ 80,095,498</b>

Construction in progress at June 30, 2017 and 2016, consisted of costs incurred to-date on various real estate projects, including a science campus and technology-oriented business park in Milwaukee County.

Included in furniture and equipment as of June 30, 2017 and 2016 is \$486,741 and \$486,682, respectively, of capitalized artwork. The artwork does not meet the criteria for classification as a collection as it is not held for public exhibition, education, or research in furtherance of public service. The artwork is not depreciated; instead it is reviewed periodically for impairment, with the carrying value of the artwork adjusted for any impairment losses. There were no impairments recorded for the years ended June 30, 2017 and 2016.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 5: Bonds and Notes Payable

The Foundation has the following bonds and notes payable:

<i>As of June 30,</i>	<b>2017</b>	<b>2016</b>
Redevelopment Authority of the City of Milwaukee, variable rate demand revenue bonds, Series 2010. Principal payments are due semi-annually on October 1 and April 1 with the remaining outstanding balance due October 1, 2016. Interest is payable monthly at 71% of the sum of 30-day LIBOR rate plus 3.00%. The bonds were paid in full on July 28, 2016.	\$ -	\$ 25,770,000
Redevelopment Authority of the City of Milwaukee Senior Redevelopment Revenue Bonds, Series 2009A requiring monthly principal payments plus interest at 74% of the sum of adjusted 30-day LIBOR rate plus 3.35% through November 22, 2018 with a balloon payment due for the remaining outstanding principal on that date. The bonds were paid in full on July 28, 2016.	-	12,591,096
Redevelopment Authority of the City of Milwaukee Senior Redevelopment Revenue Bonds, Series 2009B. No principal or interest payments on the bonds may be made except as provided in a Trust Indenture dated as of August 1, 2009, between the Redevelopment Authority of the City of Milwaukee and The Bank of New York Mellon Trust Company, NA. The bonds are due August 2039. Interest accrues at a fixed rate equal to 9% per year. The bonds were paid in full on July 28, 2016.	-	6,500,000
Loan payable to The Private Bank requiring monthly principal payments plus interest at adjusted 30-day LIBOR rate plus 3.35% (3.82% at June 30, 2016) through November 22, 2018, with a balloon payment due for the remaining outstanding principal on that date. The loan was paid in full on July 28, 2016.	-	18,927,278
Promissory note to Wells Fargo Bank Northwest. (1)	85,446,396	-
6.50% promissory note to RCI Firstpathway Citizenship Investment Fund, with interest only through January 1, 2016. Thereafter monthly principal and interest payments of \$9,481 are due through maturity at May 1, 2019. The remaining unpaid principal and interest is due at maturity. The note is secured by all assets and property of Innovation Park LLC. The note was paid in full during fiscal 2017.	-	1,482,305
<b>Total</b>	<b>85,446,396</b>	<b>65,270,679</b>
<b>Less:</b>		
Current portion	1,635,391	2,503,604
Unamortized debt issuance costs	870,812	455,009
<b>Long-term portion</b>	<b>\$ 82,940,193</b>	<b>\$ 62,312,066</b>

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 5: Bonds and Notes Payable (Continued)

(1) On July 28, 2016, Cambridge Commons, LLC signed an \$87,950,000 promissory note with Wells Fargo Bank Northwest. The promissory note is payable in 60 semi-annual installments of \$1,251,802 plus interest at 3.88% and matures April 18, 2046. The proceeds from the promissory note were used to settle existing debt as of June 30, 2016, as described above. The promissory note is secured by mortgages on properties, a security agreement, assignment of leases and rents from properties owned by Cambridge Commons, LLC, and a lien on debt service reserve funds. Under the terms of the security agreement, Cambridge Commons, LLC will lease two student dormitory facilities to the State of Wisconsin. Semi-annual rents of \$2,470,000 are due from the State of Wisconsin through June of 2046 and are to be used to meet the semi-annual principal and interest payment requirements of the promissory note.

Debt issuance costs related to the issuance of long-term debt are amortized using the straight-line method over the life of the related debt.

Scheduled payments of principal on bonds and notes payable at June 30, 2017, are as follows:

<i>Years Ending June 30,</i>	
2018	\$ 1,635,391
2019	1,699,459
2020	1,766,038
2021	1,835,225
2022	1,978,592
Thereafter	76,531,691
<b>Total maturities</b>	<b>\$ 85,446,396</b>

Interest expense including amortization of debt issuance costs for the years ending June 30, 2017 and 2016 was \$4,094,239 and \$4,136,811, respectively.

### Note 6: Interest Rate Swap Agreements

As disclosed in Note 5, the Redevelopment Revenue Bonds, series 2009A, in the amount of \$12,591,096 as of June 30, 2016, bore interest at a variable rate. To minimize the effect of changes in interest rates, the Real Estate Foundation entered into a fixed interest rate swap contract effective November 22, 2014 with BMO Harris Bank at 1.24%.

Also as disclosed in Note 5, The Private Bank loan in the amount of \$18,927,278 as of June 30, 2016, bore interest at a variable rate. To minimize the effect of changes in interest rates, the Real Estate Foundation entered into a fixed interest rate swap contract effective November 22, 2014 with Private Bank N.A. at 1.70%.

The interest rate swaps were terminated as part of the refinance of the debt on July 28, 2016.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6: Interest Rate Swap Agreements (Continued)

The following represents the notional amount hedged; fair value of the interest rate swap outstanding at year end; and the amount of exposure recorded in unrestricted net assets as of June 30, 2017 and 2016. The swap agreements are included in long-term liabilities in the accompanying consolidated statements of financial position. The classification of gain (loss) is recorded in the statement of activities as change in value of interest rate swap agreements.

	Termination Date	Notional Amount	As of June 30, 2016 Liability	Year Ended June 30, 2016 Loss	Year Ended June 30, 2017 Gain
BMO Harris	November 2018	\$ 12,591,096	\$ (246,425)	\$ (82,973)	\$ 43,871
Private Bank	November 2018	18,927,278	(509,611)	(158,051)	69,611
<b>Totals</b>		<b>\$ 31,518,374</b>	<b>\$ (756,036)</b>	<b>\$ (241,024)</b>	<b>\$ 113,482</b>

### Note 7: Defined Contribution Retirement Plan

The Foundation has a defined contribution retirement plan covering all full-time and permanent part-time employees. The Foundation contributes an amount equal to a certain percentage of each employee's gross pay to the plan. The Foundation's contributions to the retirement plan totaled \$92,532 and \$85,996 for the years ended June 30, 2017 and 2016, respectively.

### Note 8: Concentrations

The Foundation maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. At times, deposits may exceed FDIC insurance limits. Management has not experienced any losses with these accounts and management believes the Foundation is not exposed to any significant risk on cash.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 9: Temporarily and Permanently Restricted Net Assets

Donor restrictions of temporarily restricted net assets are summarized as follows:

<i>As of June 30,</i>	<b>2017</b>	<b>2016</b>
Teaching and departmental programs	\$ 52,665,495	\$ 46,891,607
Research	13,426,217	13,368,509
Scholarship/fellowship	32,240,104	29,365,588
Community service	845,745	788,964
Special projects	24,774,608	19,582,680
<b>Temporarily restricted net assets</b>	<b>\$ 123,952,169</b>	<b>\$ 109,997,348</b>

Transfers made for changes in donor designations between permanently restricted net assets and temporarily restricted net assets were \$14,490 and \$102,675 for the fiscal years 2017 and 2016, respectively.

Donor restrictions of permanently restricted net assets are summarized as follows:

<i>As of June 30,</i>	<b>2017</b>	<b>2016</b>
Teaching and departmental programs	\$ 7,666,242	\$ 7,651,840
Research	157,379	157,379
Scholarship/fellowship	11,065,970	10,821,773
Community service	60,594	60,464
Special projects	1,104,536	1,150,405
<b>Permanently restricted net assets</b>	<b>\$ 20,054,721</b>	<b>\$ 19,841,861</b>

Permanently restricted net assets are comprised of the following:

<i>As of June 30,</i>	<b>2017</b>	<b>2016</b>
Investments	\$ 20,019,533	\$ 19,757,553
Pledges receivable	11,740	60,860
Split interest agreements	23,448	23,448
<b>Permanently restricted net assets</b>	<b>\$ 20,054,721</b>	<b>\$ 19,841,861</b>

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 10: Endowments**

The Foundation's endowments consist of various funds established to benefit the Foundation for a variety of purposes. Donor-restricted net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring the Foundation to preserve the fair value of the donor's original gift, as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the donor's gifts to the permanent endowment, (b) the original value of a donor's subsequent gifts to the permanent restricted endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the various funds, (b) the purposes of the donor-restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Foundation, and (g) the Foundation's investment policies.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to preserve the purchasing power of the endowment assets. Under the Foundation's investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and to ensure that any risk assumed is commensurate with the given investment vehicle and the Foundation's objectives.

To achieve its investment goals, the Foundation targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal while exercising risk control. The Foundation's asset allocations include a blend of equity and debt securities and cash equivalents.

### **Donor-Designated Endowment**

The Foundation has received several gifts in which the donors have stipulated that the gift amount be invested and maintained permanently to generate annual income for fulfilling the Foundation's mission. The donor-designated endowment investments are maintained in bank-administered trust funds and the Foundation has granted the investment managers discretionary authority over investment decisions based on the Foundation's investment policy. For endowment funds with no spending instructions, the Foundation determines the income available for distribution using the total return method. Distributions are made annually, which are approximately 4.00% to 4.25% of the average market value of the related endowment investments over a three year period.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 10: Endowments (Continued)

#### Donor-Designated Endowment (Continued)

Endowment net assets consisted of the following:

<i>As of June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 6,126,455	\$ 20,054,721	\$ 26,181,176

<i>As of June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 4,964,837	\$ 19,841,861	\$ 24,806,698

Changes in the endowment net assets were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments at July 1, 2015	\$ -	\$ 6,162,883	\$ 19,560,801	\$ 25,723,684
Contributions	-	47,650	383,735	431,385
Interest and dividend income	-	284,255	-	284,255
Net depreciation	-	(138,178)	-	(138,178)
Changes in donor restrictions	-	-	(102,675)	(102,675)
Appropriation for expenditures	-	(1,391,773)	-	(1,391,773)
Endowments at June 30, 2016	-	4,964,837	19,841,861	24,806,698
Contributions	-	45,888	198,370	244,258
Interest and dividend income	-	560,591	-	560,591
Net appreciation	-	1,751,801	-	1,751,801
Changes in donor restrictions	-	(14,490)	14,490	-
Appropriation for expenditures	-	(1,182,172)	-	(1,182,172)
Endowment at June 30, 2017	\$ -	\$ 6,126,455	\$ 20,054,721	\$ 26,181,176

### Note 11: Contingent Fee Arrangement

The Research Foundation and a law firm entered into an alternative fee arrangement. The Research Foundation will receive a 10% discount on legal services provided by the law firm. The law firm will receive a percentage of revenue derived from licensing and technology ventures begun prior to January 1, 2015.

At June 30, 2017 and 2016, a liability for future payments was not recognized as payments to the law firm are contingent on receiving future cash flows from successful ventures.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 12: Fair Value Measurements

Following is a description of the valuation methodology used for each asset and liability measured at fair value on a recurring basis:

- Money market funds are measured using \$1 as the net asset value ("NAV")
- State, municipal, domestic and foreign bonds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.
- Fixed income and equity mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held are deemed to be actively traded.
- Asset- and mortgage-backed securities and U.S. Treasury bonds and notes are valued using quotes from pricing vendor based on recent trading activity and other observable market data.
- Common and preferred stock and exchange traded funds are valued at the closing price reported on the active market on which the individual securities are traded.
- Limited partnership interests are valued based on estimates and valuations provided by investment managers, which use pricing models and other unobservable inputs to value the investments.
- Privately held stock is valued using a discounted cash flow method.
- Pledges receivable are valued at the present value of estimated future cash flows.
- Split interest agreements are valued based on the market value of the underlying assets, consisting mainly of equity securities and fixed income securities which are valued based on quoted market prices.
- Swap agreements are valued using discounted cash flows based on observable yield curves and other factors.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 12: Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis is as follows:

<i>As of June 30, 2017</i>	<u>Fair Value Measurements Using</u>			<u>Total Assets</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>at Fair Value</u>
Investments:				
Money market funds	\$ -	\$ 4,412,135	\$ -	\$ 4,412,135
Fixed income mutual funds				
Short-term bond funds	1,270,337	-	-	1,270,337
Intermediate-term bond funds	6,097,758	-	-	6,097,758
Fixed income securities				
Asset- and mortgage-backed securities	13,066,224	-	-	13,066,224
U.S. Treasury bonds and notes	14,611,958	-	-	14,611,958
Domestic corporate bonds	-	12,793,433	-	12,793,433
Foreign bonds	-	2,895,212	-	2,895,212
Equity mutual funds:				
Foreign large blend funds	16,970,186	-	-	16,970,186
Small-cap blend funds	11,612,594	-	-	11,612,594
Mid-cap blend funds	14,463,602	-	-	14,463,602
Large blend funds	25,577,773	-	-	25,577,773
Small-cap growth funds	2,547,340	-	-	2,547,340
Exchange-traded funds	1,398,860	-	-	1,398,860
Common and preferred stocks	1,295,288	-	-	1,295,288
Privately held stock	-	-	103,968	103,968
Limited partnership interests	-	-	215,313	215,313
<b>Total investments</b>	<b>108,911,920</b>	<b>20,100,780</b>	<b>319,281</b>	<b>129,331,981</b>
Pledges receivable	-	16,199,479	-	16,199,479
Split interest contributions receivable from charitable remainder trusts	-	23,448	-	23,448
<b>Total assets at fair value</b>	<b>\$ 108,911,920</b>	<b>\$ 36,323,707</b>	<b>\$ 319,281</b>	<b>\$ 145,554,908</b>

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 12: Fair Value Measurements (Continued)

<i>As of June 30, 2016</i>	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Money market funds	\$ -	\$ 8,425,467	\$ -	\$ 8,425,467
Fixed income mutual funds				
Short-term bond funds	1,381,904	-	-	1,381,904
Inflation-protected bond funds	14,988	-	-	14,988
Intermediate-term bond funds	6,310,330	-	-	6,310,330
Fixed income securities				
Asset- and mortgage-backed securities	14,729,862	-	-	14,729,862
U.S. Treasury bonds and notes	7,909,546	-	-	7,909,546
Domestic corporate bonds	-	7,706,489	-	7,706,489
Foreign bonds	-	3,101,759	-	3,101,759
Equity mutual funds:				
Foreign large blend funds	12,053,642	-	-	12,053,642
Small-cap blend funds	9,101,403	-	-	9,101,403
Mid-cap blend funds	11,940,083	-	-	11,940,083
Large blend funds	20,380,847	-	-	20,380,847
Small-cap growth funds	8,024	-	-	8,024
Small-cap value funds	3,860	-	-	3,860
Mid-cap value funds	9,228	-	-	9,228
Real estate funds	6,256	-	-	6,256
Exchange-traded funds	179,453	-	-	179,453
Common and preferred stocks	262,801	-	-	262,801
Privately held stock	-	-	103,968	103,968
Limited partnership interests	-	-	151,389	151,389
<b>Total investments</b>	<b>84,292,227</b>	<b>19,233,715</b>	<b>255,357</b>	<b>103,781,299</b>
Pledges receivable	-	17,359,881	-	17,359,881
Split interest contributions receivable from charitable remainder trusts	-	23,448	-	23,448
<b>Total assets at fair value</b>	<b>\$ 84,292,227</b>	<b>\$ 36,617,044</b>	<b>\$ 255,357</b>	<b>\$ 121,164,628</b>

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 12: Fair Value Measurements (Continued)

Information regarding liabilities measured at fair value on a recurring basis is as follows:

<i>As of June 30, 2016</i>	Fair Value Measurements Using			Total Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Interest rate swap agreements	\$ -	\$ 756,036	\$ -	\$ 756,036

Changes in fair value of the Foundation's Level 3 assets are as follows:

	Privately Held Stock	Limited Partnership Interests
Balance, July 1, 2015	\$ -	\$ 137,875
Unrealized loss	-	(34,063)
Donated stock received	103,968	-
Purchases	-	47,577
Balance, June 30, 2016	103,968	151,389
Unrealized gain	7,009	47,577
Sale of stock	(7,009)	-
Purchases	-	16,347
Balance, June 30, 2017	\$ 103,968	\$ 215,313

### Note 13: Related Parties

Program support from the Foundation to the University of \$15,419,191 and \$14,253,143 for the years ended June 30, 2017 and 2016, respectively, included \$8,015,362 and \$7,922,934, respectively, of restricted program support expenses incurred directly by the University and reimbursed by the Foundation based on the specified purpose of the related restricted funds. At June 30, 2017 and 2016, expenses incurred by the University which have not yet been reimbursed by the Foundation were \$2,208,130 and \$3,755,053, respectively.

The University had charged property management fees to the Real Estate Foundation for management of the Cambridge and Riverview dormitories. Total management fee expense for the year ended June 30, 2016 was \$1,834,627. Under the new agreement the University now leases the dormitories from the Real Estate Foundation and therefore no longer charges management fees to the Real Estate Foundation.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 13: Related Parties (Continued)

The University rents property from the Real Estate Foundation under an operating lease. Monthly rents, including operating costs and other fees, range from \$35,279 and \$50,414 through April 2043. In November 2014, the University paid \$1,000,000 to the Real Estate Foundation in advance rent to cover buildout costs. The Real Estate Foundation is recognizing this advance rent on the straight-line basis over the term of the lease agreement. Deferred revenues under this lease total \$870,130 and \$922,078 at June 30, 2017 and 2016, respectively, and are included in accrued liabilities in the accompanying consolidated statements of financial position.

The University employs certain personnel who are involved in development activities from which both the University and the Foundation benefit. The compensation expense related to the development activities for these individuals of \$2,972,343 and \$2,979,385 has been included in contributed goods and service revenue and fundraising expense in the Foundation's consolidated financial statements for the years ended June 30, 2017 and 2016, respectively. In addition, the Foundation has recorded \$170,689 and \$168,834 for the donation of goods which were used by these employees in performance of these services for the years ended June 30, 2017 and 2016, respectively.

### Note 14: Leases

The Real Estate Foundation leases office space to for-profit and not-for-profit companies under noncancelable operating leases. Monthly rents range from \$2,686 to \$40,958. Total rental income under these leases was \$639,940 and \$673,210 for the years ended June 30, 2017 and 2016, respectively. Future minimum rental revenues under noncancelable operating leases, including the lease agreement with the State of Wisconsin discussed in Note 5, are as follows:

<i>Years Ending June 30,</i>	<b>Cambridge and Riverview Residence Halls</b>	<b>Innovation Accelerator</b>	<b>Total</b>
2018	\$ 4,940,000	\$ 603,918	\$ 5,543,918
2019	4,940,000	934,959	5,874,959
2020	4,940,000	556,825	5,496,825
2021	4,940,000	572,180	5,512,180
2022	4,940,000	587,991	5,527,991
Thereafter	118,560,000	8,389,127	126,949,127
<b>Totals</b>	<b>\$ 143,260,000</b>	<b>\$ 11,645,000</b>	<b>\$ 154,905,000</b>

### Note 15: Recharacterization of Net Assets

Net assets have been recharacterized on the consolidated statements of activities to properly reflect donor restrictions.

## **Supplementary Information**

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# The UWM Foundation, Inc. and Affiliates

## Consolidating Statement of Financial Position

June 30, 2017

Assets	The UWM Foundation, Inc.	The UWM Real Estate Foundation, Inc.	The UWM Research Foundation, Inc.	Eliminations	Total Consolidated
Current assets:					
Cash and cash equivalents	\$ 6,290,194	\$ 4,006,855	\$ 177,882	\$ -	\$ 10,474,931
Due from affiliates	15,720	-	-	(15,720)	-
Accrued investment income	204,704	-	-	-	204,704
Accounts receivable - Net	42,601	117,506	-	-	160,107
Current portion of pledges receivable	6,759,908	412,500	233,333	-	7,405,741
Prepaid expenses and other	49,425	148,635	4,186	-	202,246
<b>Total current assets</b>	<b>13,362,552</b>	<b>4,685,496</b>	<b>415,401</b>	<b>(15,720)</b>	<b>18,447,729</b>
<b>Investments</b>	<b>129,331,981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129,331,981</b>
<b>Property and equipment - Net</b>	<b>451,599</b>	<b>76,244,263</b>	<b>5,430</b>	<b>-</b>	<b>76,701,292</b>
Other assets:					
Interest in investments held by UWM Foundation	-	10,615,042	3,398,018	(14,013,060)	-
Restricted cash and cash equivalents	-	21,563	-	-	21,563
Cash surrender value of life insurance	1,173,988	-	-	-	1,173,988
Split interest contributions receivable from charitable remainder trusts	23,448	-	-	-	23,448
Pledges receivable, less current portion - Net	8,473,880	235,835	84,023	-	8,793,738
Due from affiliates	3,591,404	-	-	(3,591,404)	-
Note receivable	6,000,000	-	-	(6,000,000)	-
<b>Total other assets</b>	<b>19,262,720</b>	<b>10,872,440</b>	<b>3,482,041</b>	<b>(23,604,464)</b>	<b>10,012,737</b>
<b>TOTAL ASSETS</b>	<b>\$ 162,408,852</b>	<b>\$ 91,802,199</b>	<b>\$ 3,902,872</b>	<b>\$ (23,620,184)</b>	<b>\$ 234,493,739</b>

# The UWM Foundation, Inc. and Affiliates

## Consolidating Statement of Financial Position (Continued)

June 30, 2017

Liabilities and Net Assets (Deficit)	The UWM Foundation, Inc.	The UWM Real Estate Foundation, Inc.	The UWM Research Foundation, Inc.	Eliminations	Total Consolidated
Current liabilities:					
Current maturities of					
note payable	-	1,635,391	-	-	1,635,391
Due to affiliates	14,013,060	15,720	-	(14,028,780)	-
Due to the University of					
Wisconsin-Milwaukee	2,054,812	25,000	128,318	-	2,208,130
Amounts payable under fiscal					
agent responsibilities	377,208	-	77,192	-	454,400
Accounts payable	88,767	26,211	34,013	-	148,991
Accrued interest payable	-	690,694	-	-	690,694
Deferred revenue	-	91,957	-	-	91,957
Accrued liabilities	220,158	175,597	45,305	-	441,060
<b>Total current liabilities</b>	<b>16,754,005</b>	<b>2,660,570</b>	<b>284,828</b>	<b>(14,028,780)</b>	<b>5,670,623</b>
Long-term liabilities:					
Due to affiliates	-	2,680,722	-	(2,680,722)	-
Accrued interest payable	-	910,682	-	(910,682)	-
Note payable, less					
current maturities - Net	-	88,940,193	-	(6,000,000)	82,940,193
Deferred revenue	-	1,010,912	-	-	1,010,912
<b>Total long-term liabilities</b>	<b>-</b>	<b>93,542,509</b>	<b>-</b>	<b>(9,591,404)</b>	<b>83,951,105</b>
<b>Total liabilities</b>	<b>16,754,005</b>	<b>96,203,079</b>	<b>284,828</b>	<b>(23,620,184)</b>	<b>89,621,728</b>
Net assets (deficit):					
Unrestricted	4,345,092	(5,128,723)	1,648,752	-	865,121
Temporarily restricted	121,255,034	727,843	1,969,292	-	123,952,169
Permanently restricted	20,054,721	-	-	-	20,054,721
<b>Total net assets (deficit)</b>	<b>145,654,847</b>	<b>(4,400,880)</b>	<b>3,618,044</b>	<b>-</b>	<b>144,872,011</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 162,408,852</b>	<b>\$ 91,802,199</b>	<b>\$ 3,902,872</b>	<b>\$ (23,620,184)</b>	<b>\$ 234,493,739</b>

See independent auditor's report.

# The UWM Foundation, Inc. and Affiliates

## Consolidating Statement of Activities

Year Ended June 30, 2017

	The UWM Foundation, Inc.	The UWM Real Estate Foundation, Inc.	The UWM Research Foundation, Inc.	Eliminations	Total Consolidated
<b>Unrestricted net assets (deficit):</b>					
Support and revenue:					
Contributions	\$ 149,607	\$ 162,964	\$ 989,649	\$ -	\$ 1,302,220
Contributed goods and services	3,143,032	-	-	-	3,143,032
Rent, parking, and meals	20,000	5,673,336	-	-	5,693,336
Investment income	772,165	1,017,550	50	(138,774)	1,650,991
Change in value of interest rate swap agreements	-	113,482	-	-	113,482
Loss on sale of land and building	-	(809,502)	-	-	(809,502)
Net assets released from restrictions	17,045,537	612,500	315,004	-	17,973,041
<b>Total support and revenue</b>	<b>21,130,341</b>	<b>6,770,330</b>	<b>1,304,703</b>	<b>(138,774)</b>	<b>29,066,600</b>
Distributions to the University of Wisconsin-Milwaukee:					
Student financial aid	3,499,210	-	-	-	3,499,210
Teaching and departmental programs	2,961,098	-	-	-	2,961,098
Community service	25,247	-	-	-	25,247
Research	587,262	-	-	-	587,262
Special projects	8,346,374	-	-	-	8,346,374
<b>Total distributions</b>	<b>15,419,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,419,191</b>
Expenses:					
Program	110,867	9,774,652	1,215,819	(138,774)	10,962,564
General administration	1,605,985	95,832	16,100	-	1,717,917
Fundraising	3,666,370	-	-	-	3,666,370
<b>Total expenses</b>	<b>5,383,222</b>	<b>9,870,484</b>	<b>1,231,919</b>	<b>(138,774)</b>	<b>16,346,851</b>
Excess (deficiency) of support and revenue over distributions and expenses	327,928	(3,100,154)	72,784	-	(2,699,442)
Other changes in net assets -					
Recharacterization of net assets	-	-	757,079	-	757,079
Change in net assets	327,928	(3,100,154)	829,863	-	(1,942,363)
Unrestricted net assets (deficit) at beginning of year	\$ 4,017,164	\$ (2,028,569)	\$ 818,889	-	2,807,484
Unrestricted net assets (deficit) at end of year	\$ 4,345,092	\$ (5,128,723)	\$ 1,648,752	-	\$ 865,121

# The UWM Foundation, Inc. and Affiliates

## Consolidating Statement of Activities (Continued)

Year Ended June 30, 2017

		The UWM Foundation, Inc.	The UWM Real Estate Foundation, Inc.	The UWM Research Foundation, Inc.	Eliminations	Total Consolidated
<b>Temporarily restricted net assets:</b>						
Contributions	\$	21,505,529	\$ 764,746	\$ 226,871	\$ -	\$ 22,497,146
Investment income		10,055,509	-	146,776	-	10,202,285
Net assets released from restrictions		(17,045,537)	(612,500)	(315,004)	-	(17,973,041)
Other changes in net assets:						
Recharacterization of net assets		-	-	(757,079)		(757,079)
Net asset transfer for changes in donor designated restrictions		(14,490)	-	-	-	(14,490)
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Change in temporarily restricted net assets		14,501,011	152,246	(698,436)	-	13,954,821
Temporarily restricted net assets at beginning of year	\$	106,754,023	\$ 575,597	\$ 2,667,728	-	\$ 109,997,348
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Temporarily restricted net assets at end of year	\$	121,255,034	\$ 727,843	\$ 1,969,292	-	\$ 123,952,169
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<b>Permanently restricted net assets:</b>						
Contributions	\$	198,370	-	-	-	\$ 198,370
Other changes in net assets - Net asset transfer for changes in donor designated restrictions		14,490	-	-	-	14,490
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Change in permanently restricted net assets		212,860	-	-	-	212,860
Permanently restricted net assets at beginning of year	\$	19,841,861	-	-	-	\$ 19,841,861
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Permanently restricted net assets at end of year	\$	20,054,721	-	-	-	\$ 20,054,721

See independent auditor's report.