

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

Milwaukee, Wisconsin

Consolidated Financial Statements and Supplementary  
Information

Years Ended June 30, 2019 and 2018

**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, 2019 and 2018, and the related consolidated statements of activities, functional expenses 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, 2019 and 2018, 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.



**Emphasis of a Matter**

As discussed in Note 1 to the financial statements The UWM Foundation, Inc. and Affiliates adopted the amendments in *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The ASU has been applied retrospectively to all periods presented with the exception of certain omissions of prior year data as allowed under the standard.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information appearing on pages 29 through 32 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP  
Milwaukee, Wisconsin

December 4, 2019

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Financial Position

June 30, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 3,301,784	\$ 2,204,799
Accrued investment income	448,327	390,924
Accounts receivable - Net	37,418	74,431
Current portion of promises to give	6,538,583	7,761,091
Property held for sale	-	180,611
Prepaid expenses and other	86,109	46,499
<b>Total current assets</b>	<b>10,412,221</b>	<b>10,658,355</b>
<b>Investments</b>	<b>166,812,031</b>	<b>157,618,943</b>
<b>Property and equipment - Net</b>	<b>71,584,049</b>	<b>74,312,871</b>
Other assets:		
Restricted cash and cash equivalents	3,564,010	3,234,409
Cash surrender value of life insurance	1,210,210	1,202,137
Split interest contributions receivable from charitable remainder trusts	27,568	27,734
Promises to give, less current portion - Net	8,480,950	8,443,513
<b>Total other assets</b>	<b>13,282,738</b>	<b>12,907,793</b>
<b>TOTAL ASSETS</b>	<b>\$ 262,091,039</b>	<b>\$ 255,497,962</b>

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Financial Position (Continued)

June 30, 2019 and 2018

Liabilities and Net Assets	2019	2018
Current liabilities:		
Current maturities of note payable	\$ 1,766,038	\$ 1,699,460
Due to the University of Wisconsin-Milwaukee	2,666,271	2,891,321
Amounts payable under fiscal agent responsibilities	127,000	195,840
Accounts payable	122,804	131,134
Accrued interest payable	663,735	677,473
Deferred revenue	112,810	115,285
Accrued liabilities	422,614	556,756
<b>Total current liabilities</b>	<b>5,881,272</b>	<b>6,267,269</b>
Long-term liabilities:		
Note payable, less current maturities - Net	79,534,557	81,270,814
Deferred revenue	1,104,765	872,743
<b>Total long-term liabilities</b>	<b>80,639,322</b>	<b>82,143,557</b>
<b>Total liabilities</b>	<b>86,520,594</b>	<b>88,410,826</b>
Net assets:		
Without donor restrictions	2,653,644	808,156
With donor restrictions	172,916,801	166,278,980
<b>Total net assets</b>	<b>175,570,445</b>	<b>167,087,136</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 262,091,039</b>	<b>\$ 255,497,962</b>

See accompanying notes to consolidated financial statements.

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 992,870	\$ 20,906,128	\$ 21,898,998
Contributed goods and services	3,233,664	-	3,233,664
Rental income	5,647,041	-	5,647,041
Investment income	2,741,991	6,998,125	9,740,116
Gain on sale of property held for sale	50,000	-	50,000
Net assets released from restrictions	21,266,432	(21,266,432)	-
<b>Total support and revenue</b>	<b>33,931,998</b>	<b>6,637,821</b>	<b>40,569,819</b>
Expenses:			
Program:			
Distributions to the University of Wisconsin-Milwaukee:			
Student financial aid	4,115,389	-	4,115,389
Teaching and departmental programs	6,169,343	-	6,169,343
Community service	25,952	-	25,952
Research	885,975	-	885,975
Special projects	7,815,104	-	7,815,104
<b>Total distributions</b>	<b>19,011,763</b>	<b>-</b>	<b>19,011,763</b>
Other program expenses	8,190,100	-	8,190,100
<b>Total program expenses</b>	<b>27,201,863</b>	<b>-</b>	<b>27,201,863</b>
Supporting services:			
General administration	1,201,155	-	1,201,155
Direct fundraising	449,828	-	449,828
Development services received from personnel of the University of Wisconsin-Milwaukee	3,233,664	-	3,233,664
<b>Total expenses</b>	<b>32,086,510</b>	<b>-</b>	<b>32,086,510</b>
Excess of support and revenue over distributions and expenses	1,845,488	6,637,821	8,483,309
Change in net assets	1,845,488	6,637,821	8,483,309
Net assets at beginning of year	808,156	166,278,980	167,087,136
<b>Net assets at end of year</b>	<b>\$ 2,653,644</b>	<b>\$ 172,916,801</b>	<b>\$ 175,570,445</b>

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Activities (Continued)

Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 919,623	\$ 30,762,465	\$ 31,682,088
Contributed goods and services	3,183,123	-	3,183,123
Rental income	5,758,561	-	5,758,561
Investment income	860,965	8,568,960	9,429,925
Net assets released from restrictions	17,059,335	(17,059,335)	-
<b>Total support and revenue</b>	<b>27,781,607</b>	<b>22,272,090</b>	<b>50,053,697</b>
Expenses:			
Program:			
Distributions to the University of Wisconsin-Milwaukee:			
Student financial aid	4,053,443	-	4,053,443
Teaching and departmental programs	4,808,706	-	4,808,706
Community service	39,893	-	39,893
Research	1,045,757	-	1,045,757
Special projects	4,436,723	-	4,436,723
<b>Total distributions</b>	<b>14,384,522</b>	<b>-</b>	<b>14,384,522</b>
<b>Other program expenses</b>	<b>8,565,335</b>	<b>-</b>	<b>8,565,335</b>
<b>Total program expenses</b>	<b>22,949,857</b>	<b>-</b>	<b>22,949,857</b>
Supporting services:			
General administration	1,298,335	-	1,298,335
Direct fundraising	407,257	-	407,257
Development services received from personnel of the University of Wisconsin-Milwaukee	3,183,123	-	3,183,123
<b>Total expenses</b>	<b>27,838,572</b>	<b>-</b>	<b>27,838,572</b>
(Deficiency) excess of support and revenue over distributions and expenses	(56,965)	22,272,090	22,215,125
Change in net assets	(56,965)	22,272,090	22,215,125
Net assets at beginning of year	865,121	144,006,890	144,872,011
<b>Net assets at end of year</b>	<b>\$ 808,156</b>	<b>\$ 166,278,980</b>	<b>\$ 167,087,136</b>

See accompanying notes to consolidated financial statements.

# The UWM Foundation, Inc. and Affiliates

## Statement of Funtional Expenses

Year Ended June 30, 2019

	Program				Supporting Services			
	The UWM Foundation, Inc.	The UWM Real Estate Foundation, Inc.	The UWM Research Foundation, Inc.	Total	General Administrative	Direct Fundraising	Development Services	Total
Grants/Assistance to Organizations	\$ -	\$ -	\$ 110,444	\$ 110,444	\$ -	\$ -	\$ -	\$ 110,444
Salaries and wages	158,558	174,279	566,549	899,386	475,674	67,041	2,142,900	3,585,001
Payroll Taxes and fringe benefits	96,606	79,571	134,848	311,026	314,469	5,012	857,160	1,487,666
Distributions	19,011,763	-	-	19,011,763	-	-	-	19,011,763
Legal, Accounting, and other professional fees	6,616	24,056	142,730	173,402	80,361	113,941	-	367,704
Advertising and Promotion	-	-	16,732	16,732	-	-	-	16,732
Office Expenses	7,624	13,057	8,272	28,953	22,871	32,426	233,604	317,853
Information Technology	-	-	30,625	30,625	20,281	-	-	50,906
Occupancy	36,859	473,568	11,480	521,907	110,578	-	-	632,485
Travel	-	-	4,390	4,390	-	-	-	4,390
Conferences, conventions, meetings	5,271	-	4,358	9,629	9,175	37,332	-	56,136
Interest	-	3,251,584	-	3,251,584	-	-	-	3,251,584
Depreciation	9,558	2,699,982	2,290	2,711,830	28,674	-	-	2,740,504
Insurance	5,662	13,424	1,074	20,160	16,985	-	-	37,145
All other expense	-	86,006	14,027	100,033	122,088	194,076	-	416,197
<b>Totals</b>	<b>\$ 19,338,517</b>	<b>\$ 6,815,527</b>	<b>\$ 1,047,819</b>	<b>\$ 27,201,863</b>	<b>\$ 1,201,155</b>	<b>\$ 449,828</b>	<b>\$ 3,233,664</b>	<b>\$ 32,086,510</b>

See accompanying notes to consolidated financial statements.



# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Cashflows

Years Ended June 30, 2019 and 2018

	2019	2018
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 8,483,309	\$ 22,215,125
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Bad debt recoveries	(36,790)	(34,054)
Depreciation and amortization	2,740,504	2,841,426
Gain on sale of property held for sale	(50,000)	-
Net realized and unrealized gain on investments	(6,093,647)	(6,406,914)
Donation of investments received	(525,990)	(1,183,770)
Donation of property and equipment received	-	(180,611)
Change in value of split interest agreement	166	(4,286)
Amortization of debt issuance costs	29,780	30,081
Contributions restricted for long-term investment	(114,853)	(454,216)
Changes in operating assets and liabilities:		
Accrued investment income	(57,403)	(186,220)
Accounts receivable	73,803	119,730
Promises to give	1,205,071	(371,569)
Prepaid expenses and other	(39,610)	155,747
Due to/from the University of Wisconsin-Milwaukee	(225,050)	683,191
Deferred revenue	229,547	(114,841)
Accounts payable and accrued expenses	(225,050)	(173,942)
<b>Net cash provided by operating activities</b>	<b>5,393,787</b>	<b>16,934,877</b>
Cash flows from investing activities:		
Purchases of property and equipment	(11,682)	(453,005)
Proceeds from sale of property held for sale	230,611	-
Increase in restricted cash and cash equivalents	(329,601)	(3,212,846)
Increase in cash surrender value of life insurance	(8,073)	(28,149)
Purchases of investments	(9,222,395)	(74,686,867)
Proceeds from sales of investments	6,648,944	53,990,589
<b>Net cash used in investing activities</b>	<b>(2,692,196)</b>	<b>(24,390,278)</b>

# The UWM Foundation, Inc. and Affiliates

## Consolidated Statements of Cashflows (Continued)

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from financing activities:		
Proceeds from contributions for endowment to be held in perpetuity	94,853	244,204
Proceeds from contributions for construction of building	-	576,456
Repayment on bonds and notes payable	(1,699,459)	(1,635,391)
Net cash used in financing activities	(1,604,606)	(814,731)
Net increase (decrease) in cash and cash equivalents	1,096,985	(8,270,132)
Cash and cash equivalents at beginning of year	2,204,799	10,474,931
Cash and cash equivalents at end of year	\$ 3,301,784	\$ 2,204,799
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 3,265,322	\$ 3,796,548

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 a for-profit 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, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated from net assets without donor restrictions, funds to be held for certain purposes.

**Net Assets With Donor Restrictions** - Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### 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 note agreement 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, 2019 and 2018 was \$3,564,010 and \$3,234,409, 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. During the year ended June 30, 2019, payments on dormitory room rentals to students are collected by The University of Wisconsin-Milwaukee (the "University") and remitted to the Foundation. 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 \$68,010 and \$104,800 as of June 30, 2019 and 2018, respectively.

#### **Promises to Give**

Promises to give are recorded as receivables in the year pledged. Promises to give whose eventual uses are restricted by donors are recorded as increases in net assets with donor restrictions. Promises to give without donor restrictions to be collected in future periods are also recorded as an increase to net assets with donor restrictions, and reclassified to net assets without donor restrictions when received. Management individually reviews all past due promises to give and estimates the portion, if any, of the balance that will not be collected. The carrying amount of the promises to give are reduced by allowances which reflect management's estimate of uncollectible amounts.

Subsequent to year-end, the Foundation received a \$9,000,000 promise to give. The funds are to be spent towards a new research vessel for the The University of Wisconsin-Milwaukee School of Freshwater Sciences.

#### **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 support without donor restrictions 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.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### **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 net assets with donor restrictions.

#### **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 donor 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 without donor restricted revenue and support unless the income or loss is restricted by donor or law. Investment income is shown net of investment fees.

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 net assets without donor restriction.

The Foundation allocated a spending rate of 4.00% for 2019 and 2018, 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 net assets with donor restrictions. 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.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### Allocation of Investment Income (Continued)

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 net assets with donor restrictions held in perpetuity 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 net assets with donor restrictions subject to appropriation or spending policy.

#### 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 \$120,034 and \$188,798 at June 30, 2019 and 2018, respectively.

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 a liability for any undistributed funds for which it is the custodian. Outstanding amounts under this arrangement total \$2,200 at June 30, 2019 and 2018, 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 a liability for any undistributed funds for which it is the custodian. Outstanding amounts under this arrangement total \$4,766 and \$4,842 at June 30, 2019 and 2018, respectively.

#### 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.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### **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 support with donor restrictions 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.

The Foundation recognized \$3,233,664 and \$3,183,123 of development activities received from the University for the years ended June 30, 2019 and 2018, respectively, and has reported these donated goods and services as development services received from personnel of the University in the accompanying statements of activities.

#### **Administrative Fee**

The Foundation assesses an administrative fee to certain funds, at a rate of 1.85% for 2019 and 1.89% for 2018, 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, 2019 and 2018, totaling \$1,217,575 and \$988,028, 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, 2019, which is the date the consolidated financial statements were available to be issued.

#### **Change in Accounting Policy**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of certain omissions of prior year data as allowed under the standard.

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs have been charged directly to functions when appropriate. Cost related to employees working in multiple functional categories have been allocated based on estimated time and effort. Occupancy costs have been allocated based on square footage.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of the provisions of ASC 606.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as the resource recipient and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource provider. Early application of the amendments in this update is permitted. The Foundation is still evaluating the impact of the provisions of ASU Topic 958.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU modifies lease accounting to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing information. The most significant change for lessees will be the recognition of both a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for those leases classified as operating leases under current GAAP. Certain accounting policy elections are permitted for leases with terms of 12 months or less. FASB ASC Topic 842, *Leases*, supersedes current lease requirements in FASB ASC Topic 840, *Leases*. When adopted, the amendments in the ASU must be applied using a modified retrospective approach, with certain practical expedients available. The new standard is effective for nonpublic companies for annual periods beginning after December 15, 2020. The Foundation is currently evaluating the impact of the provisions of ASC 842.

In November 2016, the FASB issued ASU 2016-18, *Statements of Cashflows (Topic 230): Restricted Cash*. This ASU intends to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the consolidated statements of cashflows. The ASU requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the consolidated statements of cashflows. The new standard is effective for nonpublic companies for annual periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of the provisions of ASC 230.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 2: Promises to Give

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 2.3% and 3.20% for the years ended June 30, 2019 and 2018, respectively.

The promises to give are expected to be collected according to the following schedule:

<i>As of June 30,</i>	<b>2019</b>	<b>2018</b>
Less than one year	\$ 6,538,583	\$ 7,761,091
One to five years	9,508,646	8,924,724
Thereafter	229,779	780,000
<b>Gross promises to give</b>	<b>16,277,008</b>	<b>17,465,815</b>
Less:		
Unamortized discount	656,287	760,672
Allowance for uncollectible amounts	601,188	500,539
<b>Promises to give - Net</b>	<b>15,019,533</b>	<b>16,204,604</b>
Less - Current portion	6,538,583	7,761,091
<b>Promises to give, less current portion - Net</b>	<b>\$ 8,480,950</b>	<b>\$ 8,443,513</b>

Of the promises to give balance, approximately 34% is due from three donors and 27% is due from two donors at June 30, 2019 and 2018, respectively.

### Note 3: Investments

Investments consist of the following:

<i>As of June 30,</i>	<b>2019</b>		<b>2018</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Money market funds	\$ 2,021,749	\$ 2,021,749	\$ 4,504,220	\$ 4,504,220
U.S. government obligations	23,691,127	24,210,121	27,868,821	27,591,920
Non-U.S. government bonds and fixed income mutual funds	30,652,029	31,690,165	26,327,821	25,717,784
Asset- and mortgaged-backed securities	17,076,829	17,255,086	11,261,973	10,899,803
Equities and equity mutual funds	62,605,762	91,634,910	61,463,045	88,905,216
<b>Total investments</b>	<b>\$ 136,047,496</b>	<b>\$ 166,812,031</b>	<b>\$ 131,425,880</b>	<b>\$ 157,618,943</b>

# 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>2019</b>	<b>2018</b>
Interest and dividends	\$ 3,837,720	\$ 3,176,998
Net realized gains on investments	1,421,627	31,178
Net unrealized gains on investments	4,672,020	6,375,736
Investment trustee and management fees	(191,251)	(153,987)
<b>Total investment income</b>	<b>\$ 9,740,116</b>	<b>\$ 9,429,925</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 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>2019</b>	<b>2018</b>
Land and improvements	\$ 18,436,081	\$ 17,510,977
Buildings and improvements	77,630,047	78,555,152
Furniture and equipment	4,747,921	4,736,238
<b>Total property and equipment</b>	<b>100,814,049</b>	<b>100,802,367</b>
Less - Accumulated depreciation	(29,230,000)	(26,489,496)
<b>Property and equipment - Net</b>	<b>\$ 71,584,049</b>	<b>\$ 74,312,871</b>

Included in furniture and equipment as of June 30, 2019 and 2018 is \$486,741, 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, 2019 and 2018.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 5: Note Payable

The Foundation has the following note payable:

<i>As of June 30,</i>	<b>2019</b>	<b>2018</b>
Promissory note to Wells Fargo Bank Northwest	\$ 82,111,546	\$ 83,811,005
Less:		
Current portion	1,766,038	1,699,460
Unamortized debt issuance costs	810,951	840,731
Long-term portion	\$ 79,534,557	\$ 81,270,814

The Real Estate Foundation has a promissory note with Wells Fargo Bank Northwest. The promissory note is payable in 60 semi-annual installments of \$2,467,500 which includes interest at 3.88% and matures April 18, 2046. 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 Department of Administration 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. Cost of debt issuance costs is \$898,110 with accumulated amortization of \$87,159 and \$57,379 as of June 30, 2019 and 2018, respectively.

Scheduled payments of principal on note payable at June 30, 2019, are as follows:

<i>Years Ending June 30,</i>	
2020	\$ 1,766,038
2021	1,835,225
2022	1,907,112
2023	1,981,836
2024	2,059,478
Thereafter	72,561,857
Total maturities	\$ 82,111,546

Interest expense including amortization of debt issuance costs for the years ending June 30, 2019 and 2018 was \$3,251,584 and \$3,316,469, respectively.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6: 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 \$101,485 and \$100,030 for the years ended June 30, 2019 and 2018, respectively.

### Note 7: 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.

### Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30,	2019	2018
Subject to expenditure for specific purpose, appropriation or spending policy:		
Teaching and departmental programs	\$ 57,842,657	\$ 60,799,528
Research	16,690,109	16,084,251
Scholarship/fellowship	35,447,968	34,851,559
Community service	900,730	879,328
Special projects	41,664,643	33,353,546
Endowments:		
Perpetual in nature subject to spending policy of appropriation:		
Teaching and departmental programs	7,637,402	7,619,305
Research	158,379	157,379
Scholarship/fellowship	11,374,116	11,328,240
Community service	100,150	98,949
Special projects	1,100,647	1,106,895
<b>Total net assets with donor restrictions</b>	<b>\$ 172,916,801</b>	<b>\$ 166,278,980</b>
Net assets released from donor restrictions were as follows as of June 30,	2019	2018
Teaching and departmental programs	\$ 6,169,343	\$ 4,808,706
Research	988,799	1,431,359
Scholarship/fellowship	4,115,389	4,053,443
Community service	25,952	39,893
Special projects	8,047,110	4,955,257
Foundation fees	1,919,839	1,770,677
<b>Total net assets released from donor restrictions</b>	<b>\$ 21,266,432</b>	<b>\$ 17,059,335</b>

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 8: Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions to be held in endowments are comprised of the following:

<i>As of June 30,</i>	<b>2019</b>	<b>2018</b>
Investments	\$ 27,694,234	\$ 27,235,552
Promises to give	-	10,000
Split interest agreements	27,568	27,734
<b>Net assets with donor restrictions to be held in endowments</b>	<b>\$ 27,721,802</b>	<b>\$ 27,273,286</b>

### Note 9: 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 net assets with donor restrictions (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 donor restricted endowment fund is classified as net assets with donor restrictions 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.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 9: Endowments (Continued)

#### Donor Restricted Endowment

The Foundation has received several gifts in which the donors have stipulated that the gift be invested and maintained permanently to generate annual income for fulfilling the Foundation's mission. The donor restricted 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.

Endowment net assets consisted of the following:

<i>As of June 30, 2019</i>	Without	<u>With Donor Restrictions</u>		Total
	Donor Restrictions	Accumulated Earnings	Perpetual in Nature	
Donor restricted endowment funds	\$ -	\$ 7,277,981	\$ 20,443,821	\$ 27,721,802

<i>As of June 30, 2018</i>	Without	<u>With Donor Restrictions</u>		Total
	Donor Restrictions	Accumulated Earnings	Perpetual in Nature	
Donor restricted endowment funds	\$ -	\$ 6,962,518	\$ 20,310,768	\$ 27,273,286

Changes in the endowment net assets were as follows:

	Without	<u>With Donor Restrictions</u>		Total
	Donor Restrictions	Accumulated Earnings	Perpetual in Nature	
Endowments at July 1, 2017	\$ -	\$ 6,126,455	\$ 20,054,721	\$ 26,181,176
Contributions	-	30,277	242,464	272,741
Interest and dividend income	-	520,040	-	520,040
Net appreciation	-	1,177,798	-	1,177,798
Changes in donor restrictions	-	(13,583)	13,583	-
Appropriation for expenditures	-	(878,469)	-	(878,469)
Endowments at June 30, 2018	-	6,962,518	20,310,768	27,273,286
Contributions	-	61,021	114,853	175,874
Interest and dividend income	-	330,484	-	330,484
Net appreciation	-	563,654	-	563,654
Changes in donor restrictions	-	101,726	18,200	119,926
Appropriation for expenditures	-	(741,422)	-	(741,422)
Endowment at June 30, 2019	\$ -	\$ 7,277,981	\$ 20,443,821	\$ 27,721,802



# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 10: 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 started prior to January 1, 2015.

At June 30, 2019 and 2018, a liability for future payments was not recognized as payments to the law firm are contingent on receiving future cash flows from successful ventures.

### Note 11: 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.
- Promises to give 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.

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 11: Fair Value Measurements (Continued)

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

<i>As of June 30, 2019</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>
<b>Investments:</b>				
Money market funds	\$ -	\$ 2,021,749	\$ -	\$ 2,021,749
Fixed income mutual funds				
Short-term bond funds	48,934	-	-	48,934
Intermediate-term bond funds	6,490,216	-	-	6,490,216
Fixed income securities				
Asset- and mortgage-backed securities	-	17,076,829	-	17,076,829
U.S. Treasury bonds and notes	-	23,691,127	-	23,691,127
Domestic corporate bonds	-	19,587,795	-	19,587,795
Foreign bonds	-	6,260,471	-	6,260,471
Equity mutual funds:				
Foreign large blend funds	21,808,665	-	-	21,808,665
Small-cap blend funds	17,004,877	-	-	17,004,877
Mid-cap blend funds	17,943,653	-	-	17,943,653
Large blend funds	31,577,769	-	-	31,577,769
Diversified emerging markets	8,150	-	-	8,150
Exchange-traded funds	1,638,329	-	-	1,638,329
Common and preferred stocks	1,332,106	-	-	1,332,106
Privately held stock	-	-	97,049	97,049
Limited partnership interests	-	-	224,312	224,312
<b>Total investments</b>	<b>97,852,699</b>	<b>68,637,971</b>	<b>321,361</b>	<b>166,812,031</b>
Promises to give	-	15,019,533	-	15,019,533
Split interest contributions receivable from charitable remainder trusts	-	-	27,568	27,568
<b>Total assets at fair value</b>	<b>\$ 97,852,699</b>	<b>\$ 83,657,504</b>	<b>\$ 348,929</b>	<b>\$ 181,859,132</b>

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 11: Fair Value Measurements (Continued)

<i>As of June 30, 2018</i>	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Money market funds	\$ -	\$ 4,504,220	\$ -	\$ 4,504,220
Fixed income mutual funds				
Short-term bond funds	48,156	-	-	48,156
Inflation-protected bond funds	-	-	-	-
Intermediate-term bond funds	6,241,571	-	-	6,241,571
Fixed income securities				
Asset- and mortgage-backed securities	-	10,899,803	-	10,899,803
U.S. Treasury bonds and notes	-	27,591,920	-	27,591,920
Domestic corporate bonds	-	15,538,037	-	15,538,037
Foreign bonds	-	3,890,020	-	3,890,020
Equity mutual funds:				
Foreign large blend funds	19,773,510	-	-	19,773,510
Small-cap blend funds	17,520,968	-	-	17,520,968
Mid-cap blend funds	17,237,553	-	-	17,237,553
Large blend funds	31,028,636	-	-	31,028,636
Diversified emerging markets	8,110	-	-	8,110
Exchange-traded funds	1,466,670	-	-	1,466,670
Common and preferred stocks	1,548,408	-	-	1,548,408
Privately held stock	-	-	97,049	97,049
Limited partnership interests	-	-	224,312	224,312
<b>Total investments</b>	<b>94,873,582</b>	<b>62,424,000</b>	<b>321,361</b>	<b>157,618,943</b>
Promises to give	-	16,204,604	-	16,204,604
Split interest contributions receivable from charitable remainder trusts	-	-	27,734	27,734
<b>Total assets at fair value</b>	<b>\$ 94,873,582</b>	<b>\$ 78,628,604</b>	<b>\$ 349,095</b>	<b>\$ 173,851,281</b>

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 11: Fair Value Measurements (Continued)

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

	Privately Held Stock	Limited Partnership Interests	Split interests
Balance, July 1, 2017	\$ 103,968	\$ 215,313	\$ 23,448
Unrealized gain	252	8,999	4,286
Sale of stock	(7,171)	-	-
Purchases	-	-	-
<b>Balance, June 30, 2018</b>	<b>97,049</b>	<b>224,312</b>	<b>27,734</b>
Unrealized loss	-	-	(166)
<b>Balance June 30, 2019</b>	<b>\$ 97,049</b>	<b>\$ 224,312</b>	<b>\$ 27,568</b>

### Note 12: Related Parties

Program support from the Foundation to the University of \$19,011,763 and \$14,384,522 for the years ended June 30, 2019 and 2018, respectively, included \$11,282,697 and \$8,192,027, 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, 2019 and 2018, expenses incurred by the University which have not yet been reimbursed by the Foundation were \$2,666,271 and \$2,891,321, respectively.

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 \$68,509 through March 2034, with an option to renew through March 2044. 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 \$766,234 and \$818,182 at June 30, 2019 and 2018, respectively, and are included in deferred revenue in the accompanying consolidated statements of financial position.

# The UWM Foundation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 13: Leases

The Real Estate Foundation leases office space and buildings to not-for-profit companies under noncancelable operating leases. Monthly rents range from \$2,753 to \$411,667. Total rental income under these leases was \$5,647,041 and \$5,758,561 for the years ended June 30, 2019 and 2018, respectively. Future minimum rental revenues under noncancelable operating leases, including the lease agreement with the State of Wisconsin Department of Administration 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>
2020	\$ 4,940,000	\$ 613,820	\$ 5,553,820
2021	4,940,000	629,175	5,569,175
2022	4,940,000	644,986	5,584,986
2023	4,940,000	661,267	5,601,267
2023	4,940,000	668,455	5,608,455
Thereafter	108,680,000	7,176,902	115,856,902
<b>Totals</b>	<b>\$ 133,380,000</b>	<b>\$ 10,394,605</b>	<b>\$ 143,774,605</b>

### Note 14: Liquidity and Availability of Financial Resources

The following table reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations. The Foundation does not have a formal liquidity policy but strive to hold net liquid financial assets available to meet 90 days of general expenditures.

<i>June 30,</i>	<b>2019</b>
Cash and cash equivalents	\$ 3,301,784
Accrued investment income	448,327
Accounts Receivable - Net	37,418
Current portion of promises to give	6,538,583
Investments	166,812,031
<b>Assets convertible to cash within twelve months</b>	<b>177,138,143</b>
Less:	
Net assets with donor restrictions excluding long term assets with donor restrictions	164,408,283
<b>Total financial assets available for general expenditures</b>	<b>\$ 12,729,860</b>

## **Supplementary Information**

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# The UWM Foundation, Inc. and Affiliates

## Consolidating Statement of Financial Position

June 30, 2019

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	\$ 2,863,472	\$ 286,351	\$ 151,961	\$ -	\$ 3,301,784
Due from affiliates	4,585	-	-	(4,585)	-
Accrued investment income	448,327	-	-	-	448,327
Accounts receivable - Net	10,282	27,136	-	-	37,418
Current portion of promises to give	6,376,083	12,500	150,000	-	6,538,583
Property held for sale	-	-	-	-	-
Prepaid expenses and other	53,943	27,674	4,492	-	86,109
<b>Total current assets</b>	<b>9,756,692</b>	<b>353,661</b>	<b>306,453</b>	<b>(4,585)</b>	<b>10,412,221</b>
<b>Investments</b>	<b>166,812,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,812,031</b>
<b>Property and equipment - Net</b>	<b>430,143</b>	<b>71,146,220</b>	<b>7,686</b>	<b>-</b>	<b>71,584,049</b>
Other assets:					
Interest in investments held by UWM Foundation	-	10,912,767	3,379,401	(14,292,168)	-
Restricted cash and cash equivalents	-	3,564,010	-	-	3,564,010
Cash surrender value of life insurance	1,210,210	-	-	-	1,210,210
Split interest contributions receivable from charitable remainder trusts	27,568	-	-	-	27,568
Promises to give, less current portion - Net	8,470,600	11,371	(1,021)	-	8,480,950
Due from affiliates	2,866,684	-	-	(2,866,684)	-
Note receivable	6,000,000	-	-	(6,000,000)	-
<b>Total other assets</b>	<b>18,575,062</b>	<b>14,488,148</b>	<b>3,378,380</b>	<b>(23,158,852)</b>	<b>13,282,738</b>
<b>TOTAL ASSETS</b>	<b>\$ 195,573,928</b>	<b>\$ 85,988,029</b>	<b>\$ 3,692,519</b>	<b>\$ (23,163,437)</b>	<b>\$ 262,091,039</b>

# The UWM Foundation, Inc. and Affiliates

## Consolidating Statement of Financial Position (Continued)

June 30, 2019

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	\$ -	\$ 1,766,038	\$ -	\$ -	\$ 1,766,038
Due to affiliates	-	4,585	-	(4,585)	-
Due to the University of Wisconsin-Milwaukee	2,627,086	-	39,185	-	2,666,271
Amounts payable under fiscal agent responsibilities	120,034	-	6,966	-	127,000
Accounts payable	82,539	2,417	37,848	-	122,804
Accrued interest payable	-	663,735	-	-	663,735
Deferred revenue	-	112,810	-	-	112,810
Accrued liabilities	308,186	106,495	7,933	-	422,614
<b>Total current liabilities</b>	<b>3,137,845</b>	<b>2,656,080</b>	<b>91,932</b>	<b>(4,585)</b>	<b>5,881,272</b>
Long-term liabilities:					
Due to affiliates	14,292,178	1,096,343	-	(15,388,521)	-
Accrued interest payable	-	1,770,331	-	(1,770,331)	-
Note payable, less current maturities - Net	-	85,534,557	-	(6,000,000)	79,534,557
Deferred revenue	-	1,104,765	-	-	1,104,765
<b>Total long-term liabilities</b>	<b>14,292,178</b>	<b>89,505,996</b>	<b>-</b>	<b>(23,158,852)</b>	<b>80,639,322</b>
<b>Total liabilities</b>	<b>17,430,023</b>	<b>92,162,076</b>	<b>91,932</b>	<b>(23,163,437)</b>	<b>86,520,594</b>
Net assets (deficit):					
Without donor restrictions	7,142,999	(6,243,093)	1,753,738	-	2,653,644
With donor restrictions	171,000,906	69,046	1,846,849	-	172,916,801
<b>Total net assets (deficit)</b>	<b>178,143,905</b>	<b>(6,174,047)</b>	<b>3,600,587</b>	<b>-</b>	<b>175,570,445</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 195,573,928</b>	<b>\$ 85,988,029</b>	<b>\$ 3,692,519</b>	<b>\$ (23,163,437)</b>	<b>\$ 262,091,039</b>

See independent auditor's report.



# The UWM Foundation, Inc. and Affiliates

## Consolidating Statement of Activities

Year Ended June 30, 2019

	The UWM Foundation, Inc.	The UWM Real Estate Foundation, Inc.	The UWM Research Foundation, Inc.	Eliminations	Total Consolidated
<b>Net assets (deficit) without donor restrictions:</b>					
Support and revenue:					
Contributions	\$ 179,439	\$ 137,938	\$ 975,493	\$ (300,000)	\$ 992,870
Contributed goods and services	3,233,664	-	-	-	3,233,664
Rental income	11,480	5,635,561	-	-	5,647,041
Investment income	2,622,343	493,473	125,073	(498,898)	2,741,991
Gain on sale of property held for sale	-	50,000	-	-	50,000
Net assets released from restrictions	20,931,603	232,005	102,824	-	21,266,432
<b>Total support and revenue</b>	<b>26,978,529</b>	<b>6,548,977</b>	<b>1,203,390</b>	<b>(798,898)</b>	<b>33,931,998</b>
Distributions to the University of Wisconsin-Milwaukee:					
Student financial aid	4,115,389	-	-	-	4,115,389
Teaching and departmental programs	6,169,343	-	-	-	6,169,343
Community service	25,952	-	-	-	25,952
Research	885,975	-	-	-	885,975
Special projects	7,815,104	-	-	-	7,815,104
<b>Total distributions</b>	<b>19,011,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,011,763</b>
Expenses:					
Program	326,754	7,314,425	1,047,819	(498,898)	8,190,100
General administration	1,450,869	6,986	43,300	(300,000)	1,201,155
Direct fundraising	449,828	-	-	-	449,828
Development services received from personnel of the University of Wisconsin-Milwaukee	3,233,664	-	-	-	3,233,664
<b>Total expenses</b>	<b>5,461,115</b>	<b>7,321,411</b>	<b>1,091,119</b>	<b>(798,898)</b>	<b>13,074,747</b>
<b>Total distributions and expenses</b>	<b>24,472,878</b>	<b>7,321,411</b>	<b>1,091,119</b>	<b>(798,898)</b>	<b>32,086,510</b>
Change in net assets					
without donor restrictions	2,505,651	(772,434)	112,271	-	1,845,488
Net assets (deficit) without donor restrictions at beginning of year	\$ 4,637,348	\$ (5,470,659)	\$ 1,641,467	-	808,156
<b>Net assets (deficit) without donor restrictions at end of year</b>	<b>\$ 7,142,999</b>	<b>\$ (6,243,093)</b>	<b>\$ 1,753,738</b>	<b>\$ -</b>	<b>\$ 2,653,644</b>

# The UWM Foundation, Inc. and Affiliates

## Consolidating Statement of Activities (Continued)

Year Ended June 30, 2019

	The UWM Foundation, Inc.	The UWM Real Estate Foundation, Inc.	The UWM Research Foundation, Inc.	Eliminations	Total Consolidated
<b>Net assets with donor restrictions:</b>					
Contributions	\$ 20,808,722	\$ -	\$ 97,406	\$ -	\$ 20,906,128
Investment income	6,937,508	-	60,617	-	6,998,125
Net assets released from restrictions	(20,931,603)	(232,005)	(102,824)	-	(21,266,432)
Change in net assets with donor restrictions	6,814,627	(232,005)	55,199	-	6,637,821
Net assets with donor restrictions at beginning of year	\$ 164,186,279	\$ 301,051	\$ 1,791,650	-	166,278,980
Net assets with donor restrictions at end of year	\$ 171,000,906	\$ 69,046	\$ 1,846,849	\$ -	\$ 172,916,801

See independent auditor's report.