



FRED HUTCHINSON CANCER CENTER

Consolidated Financial Statements

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

FRED HUTCHINSON CANCER CENTER

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KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Fred Hutchinson Cancer Center:

Opinion

We have audited the consolidated financial statements of Fred Hutchinson Cancer Center (Fred Hutch), which comprise the consolidated financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fred Hutch as of June 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Fred Hutch and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fred Hutch's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fred Hutch's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fred Hutch's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Seattle, Washington
October 7, 2025

FRED HUTCHINSON CANCER CENTER
Consolidated Statements of Financial Position
June 30, 2025 and 2024
(In thousands)

Assets	2025	2024
Assets:		
Cash and cash equivalents	\$ 197,558	311,887
Patient accounts receivable, net	213,887	163,296
Grants and contracts receivable, net	39,905	49,444
Notes and pledges receivable, net	409,446	383,886
Investments	908,051	1,121,164
Investment in affiliates	212,575	—
Land, buildings and equipment, net	1,139,452	955,191
Operating right-of-use assets	86,882	174,422
Finance right-of-use assets	112,038	2,316
Other assets	269,785	279,923
Total assets	\$ <u>3,589,579</u>	<u>3,441,529</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 234,192	203,067
Other liabilities	100,737	90,301
Collaborative arrangement	428,824	428,824
Operating lease liabilities	90,720	192,957
Finance lease liabilities	126,682	2,316
Long-term debt	1,051,116	1,070,150
Deferred credit on cashflow hedges	5,767	5,611
Total liabilities	<u>2,038,038</u>	<u>1,993,226</u>
Net assets:		
Without donor restrictions	789,824	759,807
With donor restrictions	761,717	688,496
Total net assets	<u>1,551,541</u>	<u>1,448,303</u>
Total liabilities and net assets	\$ <u>3,589,579</u>	<u>3,441,529</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities

Year ended June 30, 2025

(In thousands)

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>2025 Total</u>
Revenues and other support:			
Patient service revenue, net	\$ 1,583,727	—	1,583,727
Research grants and contracts, net	500,242	—	500,242
Contributions	61,013	133,382	194,395
Investment income and realized gains, net	133,410	4,609	138,019
Clinical service fee revenue	30,210	—	30,210
Service and other income	64,859	—	64,859
Net assets release from restrictions	53,240	(53,240)	—
Total revenues	<u>2,426,701</u>	<u>84,751</u>	<u>2,511,452</u>
Operating expenses:			
Salaries, wages and benefits	856,251	—	856,251
Subawards	77,525	—	77,525
Purchased services	349,450	—	349,450
Collaborative arrangement	78,943	—	78,943
Supplies and pharmaceuticals	732,382	—	732,382
Rent, utilities and maintenance	89,127	—	89,127
Interest, depreciation and amortization	124,716	—	124,716
Other	120,296	—	120,296
Total expenses	<u>2,428,690</u>	<u>—</u>	<u>2,428,690</u>
Change in net assets from operations	<u>(1,989)</u>	<u>84,751</u>	<u>82,762</u>
Other changes in net assets:			
Capital contributions	24,092	12,581	36,673
Capital releases	35,782	(35,782)	—
Change in net unrealized fair value of investments	(30,885)	8,621	(22,264)
Change in net unrealized fair value of swap instruments	925	—	925
Gain on debt refinancing	2,167	—	2,167
Other net asset changes	(75)	3,050	2,975
Total other changes in net assets	<u>32,006</u>	<u>(11,530)</u>	<u>20,476</u>
Total changes in net assets	<u>30,017</u>	<u>73,221</u>	<u>103,238</u>
Net assets balance at beginning of year	<u>759,807</u>	<u>688,496</u>	<u>1,448,303</u>
Net assets balance at end of year	<u>\$ 789,824</u>	<u>761,717</u>	<u>1,551,541</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities

Year ended June 30, 2024

(In thousands)

	Without donor restriction	With donor restriction	2024 Total
Revenues and other support:			
Patient service revenue, net	\$ 1,301,802	—	1,301,802
Research grants and contracts, net	542,770	—	542,770
Contributions	47,481	71,827	119,308
Investment income and realized gains, net	33,170	1,044	34,214
Clinical service fee revenue	24,002	—	24,002
Service and other income	41,938	—	41,938
Net assets release from restrictions	35,254	(35,254)	—
Total revenues	2,026,417	37,617	2,064,034
Operating expenses:			
Salaries, wages and benefits	756,645	—	756,645
Subawards	102,634	—	102,634
Purchased services	312,155	—	312,155
Collaborative arrangement	50,056	—	50,056
Supplies and pharmaceuticals	574,247	—	574,247
Rent, utilities and maintenance	82,950	—	82,950
Interest, depreciation and amortization	124,322	—	124,322
Other	99,002	—	99,002
Total expenses	2,102,011	—	2,102,011
Change in net assets from operations	(75,594)	37,617	(37,977)
Other changes in net assets:			
Change in net unrealized fair value of investments	93,342	11,460	104,802
Change in net unrealized fair value of swap instruments	4,321	—	4,321
Other net asset changes	290	2,366	2,656
Total other changes in net assets	97,953	13,826	111,779
Total changes in net assets	22,359	51,443	73,802
Net assets balance at beginning of year	737,448	637,053	1,374,501
Net assets balance at end of year	\$ 759,807	688,496	1,448,303

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

Years ended June 30, 2025 and 2024

(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 103,238	73,802
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	73,781	80,175
Income in affiliate investment	(6,668)	—
Distribution from affiliate investment	3,498	—
Change in net unrealized fair value of investments	22,264	(104,802)
Realized (gain) loss on investments, net	(90,269)	12,826
Change in value of split interest agreements	(2,583)	(2,051)
Change in fair value of swap instruments	(925)	(4,321)
Gain on defeasance of debt	(2,167)	—
Noncash contributions	(101,288)	(62,475)
Restricted contributions	(34,727)	(20,030)
Changes in assets and liabilities:		
Grants and contracts receivable	9,539	(5,055)
Patient accounts receivable	(50,591)	(3,966)
Notes and pledges receivable	(25,560)	20,739
Other assets	12,720	(21,896)
Decrease in noncash deferred revenue	(566)	(1,468)
Accounts payable and accrued liabilities	40,258	29,808
Change in right-of-use assets and lease liabilities	68	(4,383)
Net cash used in operating activities	<u>(49,978)</u>	<u>(13,097)</u>
Cash flows from investing activities:		
Additions to land, buildings, equipment and rental property	(255,477)	(120,156)
Purchase of investments	(643,617)	(502,107)
Purchase of affiliate investment	(209,405)	—
Sale of investments	1,027,104	691,472
Net cash (used in) provided by investing activities	<u>(81,395)</u>	<u>69,209</u>
Cash flows from financing activities:		
Proceeds from new debt	185,660	—
Deferred financing costs	(1,910)	—
Repayment of long-term debt	(198,115)	(13,732)
Principal payments on finance lease	(3,318)	—
Contributions restricted for long-term investment	34,727	20,030
Net cash provided by financing activities	<u>17,044</u>	<u>6,298</u>
Net (decrease) increase in cash and cash equivalents	<u>(114,329)</u>	<u>62,410</u>
Cash and cash equivalents at beginning of year	<u>311,887</u>	<u>249,477</u>
Cash and cash equivalents at end of period	\$ <u>197,558</u>	\$ <u>311,887</u>
Supplemental cash flow disclosure:		
Interest paid	\$ 47,373	47,115
Capital expenditures in accounts payable	1,869	3,542
Finance right-of-use asset and finance lease liability remeasurement	32,224	—

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(1) Organization

Fred Hutchinson Cancer Center (Fred Hutch) is a Washington not-for-profit corporation organized and operated exclusively for charitable, scientific, and educational purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986. It unites innovative research and compassionate care to prevent and eliminate cancer and infectious disease. It is driven by the urgency of our patients, the hope of our community and our passion for discovery to pursue scientific breakthroughs and healthier lives for every person in every community. Fred Hutch is designated by the National Cancer Institute as a comprehensive cancer research center.

Fred Hutch was formed in April 2022 when Fred Hutchinson Cancer Research Center (FHCRC), a cancer, infectious disease and biomedical research center, combined with the Seattle Cancer Care Alliance (SCCA), an integrated cancer care provider. Concurrent with the business combination, Fred Hutch entered into a Restructuring and Enhanced Collaboration Agreement (Collaboration Agreement) with University of Washington (UW) forming a clinically integrated adult oncology program spanning two institutions.

In support of its mission, Fred Hutch controls the following not-for-profit affiliates:

- The Hutchinson Centre Research Institute in Uganda Limited (HCRI-Ug) is a Uganda not-for-profit corporation. It is organized and operated for the purpose of researching, detecting, treating, and preventing infection-related cancers in Uganda and throughout the world. Fred Hutch is the sole member of HCRI-Ug. The income and property of HCRI-Ug are restricted to be used in meeting its organizational objectives. The net assets of HCRI-Ug of \$(25,836) and \$(19,045) as of June 30, 2025 and 2024, respectively, are not considered pledged obligations under debt covenants.
- Hutchinson Centre Research Institute of South Africa (HCRISA) is a South Africa not-for-profit corporation. It is organized and operated for the purpose of promoting and conducting clinical, laboratory, and other research aimed at the prevention, early detection, diagnosis, and treatment of HIV/AIDS, Tuberculosis, and other infectious diseases and cancer in South Africa and throughout the world. Fred Hutch is the sole member of HCRISA. The income and property of HCRISA are restricted to be used in meeting its organizational objectives. The net assets of HCRISA of \$7,457 and \$7,424 as of June 30, 2025 and 2024, respectively, are not considered pledged assets under debt covenants.
- Seattle Vaccine Research Fund (SVRF), a Washington State not-for-profit corporation, is exempt from federal taxes under Section 501(c)(3). It is operated for the purpose of providing anti-retroviral to eligible participants of HIV Trials Network. The net assets of SVRF of \$2,859 and \$2,736 as of June 30, 2025 and 2024, respectively, are not considered pledged assets under Fred Hutch's debt covenants.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Fred Hutchinson Cancer Center and its controlled affiliates, collectively referred to as Fred Hutch. All significant intercompany balances and transactions between Fred Hutch and its controlled affiliates have been eliminated in consolidation.

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Fred Hutch maintains cash and cash equivalents on deposit at financial institutions, which at times exceed the limits insured by the Federal Deposit Insurance Corporation. This exposes Fred Hutch to risk if the financial institution becomes insolvent. Included in \$197,558 and \$ 311,887 of cash and cash equivalents as of June 30, 2025 and 2024 is \$31,058 and \$30,768, respectively, of cash held by trustees.

(d) Supplies and Pharmaceuticals Inventory

Included in other assets on the Consolidated Statements of Financial Position is inventory consisting primarily of surgical, medical, and pharmaceutical supplies that is carried at the lower of cost (weighted average method) or net realizable value.

(e) Investment in affiliates

Fred Hutch accounts for two 70% ownership interests in limited partnerships (ARE-Seattle No.55 JV, LLC and ARE-Seattle No.56 JV, LLC) using the equity method of accounting, as further discussed in Note 5.

(f) Land, Buildings, and Equipment

Land, buildings, and equipment acquisitions, improvements and replacements are recorded at cost. Buildings are depreciated on a straight-line basis over 40 to 45 years, while improvements and equipment are depreciated over 3 to 30 years, depending on the nature of the asset. The costs and related accumulated depreciation of land, buildings and equipment sold or retired are removed from the accounts and the resulting gain or loss is recognized.

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized. Capitalization of interest ceases when the asset is placed in service.

Maintenance and repairs costs are expensed.

Land, buildings and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the capital asset may not be recoverable.

Fred Hutch receives reimbursement for a portion of its buildings and equipment through direct and indirect cost reimbursement primarily from the federal government in connection with federal grants. Fred Hutch receives capital contributions to support the costs of acquisition of buildings and equipment.

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June 30, 2025 and 2024

(In thousands)

(g) Leases

Fred Hutch is a lessee in non-cancelable operating leases for research, clinic, and office space that expire over the next forty years and contain renewal options for periods ranging from two to fifty years. Fred Hutch has two finance leases for buildings, and one for equipment as of June 30, 2025 compared to one for equipment as of June 30, 2024. Fred Hutch determines if an arrangement is or contains a lease at inception. A right-of-use (ROU) asset and a lease liability are recognized at the lease commencement date.

The lease liability represents Fred Hutch's obligation to make lease payments discounted to the present value of the unpaid lease payments at the commencement date of each lease.

The ROU asset represents Fred Hutch's right to use or control the use of a specified asset for a lease term and is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. The ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. These lease agreements do not contain any material residual value guarantees or material restrictive covenants. Leasehold improvements are capitalized at cost and amortized over the lesser of their expected useful life or the lease term.

Fred Hutch uses an incremental borrowing rate at the commencement date in determining the discounted present value of lease payments. The incremental borrowing rate is a hypothetical rate based on Fred Hutch's implicit credit rating.

Fred Hutch has elected not to recognize ROU assets and lease liabilities for lease terms of 12 months or less. Rent for these leases is expensed in the period incurred. Fred Hutch has elected not to apply the short-term-lease recognition and measurement exemption for other classes of leased assets. Options for lease extensions that Fred Hutch is reasonably certain of exercising are considered in determining the lease term used to establish the right-of-use assets and lease liabilities.

Certain lease agreements contain both lease and non-lease components. Fred Hutch accounts for lease and non-lease components separately. Payments for the lease and non-lease (service) components are allocated based on estimated stand-alone values.

Fred Hutch also has leases that include variable payments based on measures such as level of use. These payments are expensed as incurred and reported in other operating expenses.

(h) Patient Service Revenue

Fred Hutch treats contracts with similar characteristics as a portfolio for the patient service revenue stream as the revenue represents a large volume of similar contracts within similar classes of customers. Patient service revenue is comprised of two primary portfolios: clinical services and retail pharmacy operations.

Patient service revenue is reported at the estimated net realizable amount from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

reimbursement agreements with third party payors. Retroactive agreements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Clinical services are services performed by physicians and other medical professionals to aid in the diagnosis and treatment of cancer. Fred Hutch satisfies clinical service performance obligations over time as services are rendered and thus, recognizes revenue for clinical services over time based on actual charges incurred. Fred Hutch believes that this method provides a useful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Fred Hutch bills patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility.

The transaction price is based on standard charges for goods and services provided, reduced by contractual adjustments provided to third party payors and discounts provided to uninsured patients in accordance with Fred Hutch policy. Contractual adjustment for unpaid accounts is estimated based on contractual agreements, Fred Hutch discount policies, and historical experience by class of patient. Discounts on patient service revenue are analyzed by inpatient and outpatient revenue types for clinical services; and payor classifications. Fred Hutch has sufficient historical information on these payor groups' collection rates and other information that allows Fred Hutch to analyze these statistics against the portfolio and conclude that the revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

Retail pharmacy operations consist of sales of prescription and over the counter drugs. These revenues are recognized at a point in time, upon delivery of prescription and over the counter drugs to the patient. Billing information is sent to insurance companies at the time of prescription fulfillment. Patient responsible portion is billed at the time of prescription pick up.

Fred Hutch has elected to apply the optional exemption in FASB Accounting Standards Codification (ASC) 606-10-50-14a *Revenue from Contracts with Customers* as all Fred Hutch's performance obligations relate to contracts with a duration of less than one year. As such, Fred Hutch is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period as permitted in ASC 606-10-50-14a. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient clinical services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within one and a half weeks after the end of the reporting period.

For patients that do not qualify for financial assistance, Fred Hutch recognizes that a portion of their patients will be unable or unwilling to pay for the services provided. Fred Hutch determines its estimate of implicit price concessions based on historical collection experience by primary payor class of patients. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Fred Hutch expects to collect based on its collection history with those patients.

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

Changes to the initial estimate of the transaction price are recorded as adjustments to patient service revenue in the period of the change while subsequent changes that are determined to be the result of an adverse change in the payor's ability to pay are recorded as bad debt expense.

(i) Financial Assistance

Fred Hutch provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates. Because Fred Hutch does not pursue collection of amounts determined to qualify as financial assistance, they are not reported as revenue. The estimated cost of financial assistance provided was approximately \$14,170 and \$16,142 for the years ended June 30, 2025 and 2024, respectively. The cost of financial assistance was calculated using a percentage of cost to charges, which was 50% and 49% in the years ended June 30, 2025 and 2024, respectively. The number of financial assistance patients served was 3,363 and 3,165 in the years ended June 30, 2025 and 2024, respectively.

(j) Research Grants and Contracts Revenue

Fred Hutch recognizes revenue from grants and contracts on the research it performs. Grantors include both federal and nonfederal sponsors with approximately 84% and 83% of research revenue derived from federal agencies for the years ended June 30, 2025 and 2024.

Research grants and contracts that represent exchange transactions are recognized as revenue as performance obligations are satisfied by achieving milestones or meeting performance obligations as disclosed in the agreement.

Research grants and contracts that represent non-exchange transactions are recognized as grant revenue in the period Fred Hutch meets the conditions for revenue recognition, namely when it incurs reimbursable program expenditures.

(k) Deferred Revenue and Grants and Contracts Receivable

Deferred revenue represents grant and contract funds received in advance for research to be performed by Fred Hutch in future periods. When Fred Hutch has received more funds than it has earned for a project, the difference is recorded as deferred revenue in other liabilities in the Consolidated Statements of Financial Position. When Fred Hutch has earned more revenue than project funds received, a receivable from the sponsors is recognized to the extent of remaining funding commitments in the grant and contracts receivable.

(l) Contributions with Donor Restrictions

Unconditional promises to give cash and other assets are reported at fair value on the date the promise is received. The gifts are reported as donor restricted contributions if the donor stipulates either a time or purpose restriction. When a time restriction expires or a purpose restriction is fulfilled, the net assets with donor restrictions are reclassified as without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions whose restrictions are met within the same year as received are reported as without donor restrictions in the accompanying consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(m) Conditional Contributions

Conditional promises to give are reported at fair value on the date the gift is received or when the conditions are met. Fred Hutch has estimated that conditional contributions with donor restrictions that do not meet revenue recognition criteria are \$146,994 and \$208,542 as of June 30, 2025 and 2024.

Amounts awarded through grants and contracts that have not been received or expended do not meet revenue recognition criteria and are considered conditional contributions. Fred Hutch estimates this amount to be \$385,667 and \$375,545 as of June 30, 2025 and 2024, respectively.

Total conditional contributions are \$532,661 and \$584,087 as of June 30, 2025 and 2024, respectively.

(n) Perpetual Trusts and Charitable Remainder Trusts

Fred Hutch is the beneficiary of irrevocable perpetual trusts and charitable remainder trusts for which Fred Hutch is not the trustee. These funds held in trust by others represent resources neither in the possession nor under the control of Fred Hutch and are administered by third party-trustees.

When Fred Hutch is notified of the existence of an irrevocable perpetual trust and can reasonably value its interest, Fred Hutch recognizes its beneficial interest in the outside trust at fair value as a contribution. The contribution is classified as an increase in net assets with donor restrictions. The changes in the fair value of the irrevocable perpetual trusts are reflected as investment changes in net assets with donor restrictions on the consolidated statements of activities.

When Fred Hutch is notified of an irrevocable charitable remainder trust for which it is not the trustee, Fred Hutch recognizes its beneficial interest in the outside trust as a contribution at fair value, which is measured as the present value of the estimated expected future benefits to be received. The contribution is classified as an increase in net assets with donor restrictions. Periodic adjustments are recorded to the beneficial interest to reflect changes in the fair value, life expectancy, and discount rate based on information from trustees. At June 30, 2025 and 2024, there were \$4,843 and \$4,381, respectively, of charitable remainder trusts for which Fred Hutch is not the trustee reflected as a receivable from trusts included in other assets in the accompanying consolidated statements of financial position.

(o) Foreign Currency Translation and Transaction Gains and Losses

The consolidated financial statements include foreign currency amounts attributable to foreign operations. The foreign currency amounts have been translated into U.S. dollars using year-end exchange rates for certain assets and liabilities, historical rates for net assets and average monthly rates for revenues and expenditures. Unrealized gains or losses arising from fluctuations in the year-end exchange rates of foreign currency denominated assets and liabilities are recorded as net asset adjustments from foreign currency translation, and gains or losses resulting from actual foreign exchange transactions are recorded in revenue and expenses in the consolidated statements of activities.

(p) Net Assets with Donor Restrictions

Net assets with donor restrictions include amounts restricted for time or purpose and amounts that are restricted in perpetuity. Fred Hutch's net assets restricted in perpetuity consist of endowment funds and

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June 30, 2025 and 2024

(In thousands)

Fred Hutch's interest in perpetual trusts. Income earned on funds restricted in perpetuity is used for operations in accordance with the terms of each endowment fund and the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Net assets with donor restrictions are restricted for purposes designated by the donors for research and supportive patient care services. Net assets with donor restrictions that are perpetual in nature amounted to \$174,530 and \$149,801 and amounts restricted for time or purpose amounted to \$587,187 and \$538,695 as of June 30, 2025 and 2024, respectively.

(q) Functional Expense Allocation Methodology

Fred Hutch's consolidated financial statements report certain categories of expenses that are attributable to more than one function. These expenses are allocated based on the appropriate metrics and consistently applied between program services, management and general, and fundraising functions.

(r) Statement of Activities

The statements of activities describe the results of financial events included in the change in net assets. Contributions received are recorded either with or without donor restrictions. Investment income may be donor restricted or without donor restriction. Research grants and contracts revenue and related expenses incurred are without restriction. Changes in asset values resulting from fair value adjustments are shown as unrealized gains and losses under other changes in net assets. A total increase or decrease in net assets for each net asset grouping is shown to roll forward the beginning of the year balance to the end of the year balance.

(s) Commercialization Income

Fred Hutch actively works to develop scientific discoveries into new products and services. Revenue is generated from licensing agreements, partnerships, and royalty streams, and new businesses are reported within Service and Other Income on the consolidated statements of activities.

(t) Professional Liability Insurance

Fred Hutch has claims made—professional and general liability insurance for 2025 and 2024. Fred Hutch has accrued an actuarial estimate of unreported instances and claims as of June 30, 2025 and 2024, which is included in accounts payable and accrued liabilities.

(u) Federal Income Taxes

Fred Hutch has obtained a determination letter from the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3), except for unrelated business income. Unrelated business income typically is trade or business activity regularly carried on and is not related to furthering the exempt purpose of Fred Hutch. During 2025 and 2024, Fred Hutch did not record any liability for uncertain tax benefits.

(v) Reclassifications

Certain reclassifications have been made to the prior year amounts in order to conform to the current year presentation.

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(w) Recent Accounting Pronouncements

In March 2023, the FASB issued Accounting Standards Update (ASU) 2024-01, Common Control Arrangements. This ASU provides certain entities a practical expedient to use written terms and conditions for determining whether a lease exists and the accounting for the lease. The ASU also provides guidance related to accounting for leasehold improvements associated with common control leases. The ASU is effective for annual periods beginning after December 15, 2023, including interim periods within those fiscal years, with early adoption permitted. Fred Hutch has implemented ASU 2024-01 and all provisions are included in the consolidated financial statements. There was no significant impact to the financial statements.

(3) Due from Government Agencies

Fred Hutch incurs facilities and administrative (F&A) costs to support its government sponsored research activities. Sponsors are charged for these costs through an F&A cost rate, which is applied to modified total direct research costs. Both direct and F&A costs are recovered by Fred Hutch from research programs supported by federal and other grant revenue.

The fixed federal F&A rate for grant and contract supported programs is determined by prospective negotiation with the Department of Health and Human Services (DHHS) based on an estimate of the costs that will be incurred during the period to which the rate applies. Any difference between the costs recovered through the fixed F&A cost rate and actual F&A costs for a year are generally incorporated with the federal government through future rates. No estimated settlement was recorded as of June 30, 2025 and 2024.

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(4) Availability and Liquidity

Fred Hutch regularly monitors its ability to meet its cash flow requirements and operating needs. The availability of financial assets is primarily affected by management's designation and donor restrictions. The following financial assets on the statements of financial position are expected to be readily available for general expenditures within one year:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 197,558	311,887
Patient accounts receivable, net	213,887	163,296
Grants and contracts receivable, net	39,905	49,444
Notes and pledges receivable, net	409,446	383,886
Investments	908,051	1,121,164
Investment in affiliates	212,575	—
Other financial assets	<u>232,679</u>	<u>244,586</u>
Total financial assets, at year-end	<u>2,214,101</u>	<u>2,274,263</u>
Less those unavailable for general expenditures within one year:		
Notes and pledges receivable, net	271,516	313,497
Investments	139,871	114,986
Investment in affiliates	212,575	—
Other financial assets	<u>115,028</u>	<u>127,971</u>
Total unavailable for general expenditures within one year	<u>738,990</u>	<u>556,454</u>
Financial assets available for general expenditures within one year	<u>\$ 1,475,111</u>	<u>1,717,809</u>

Other assets on the Consolidated Statements of Financial Position are comprised of financial assets of \$232,679 and \$244,586 and nonfinancial assets of \$37,106 and \$35,337 as of June 30, 2025 and 2024, respectively.

Other financial assets unavailable for general expenditure within one year include receivables and donor restricted funds where release will occur beyond one year.

As part of Fred Hutch's liquidity management, it makes financial assets available based on forecasted liquidity requirements. Fred Hutch invests cash in excess of current requirements. In the event of unanticipated liquidity needs, Fred Hutch can increase liquidity.

(5) Investment in Affiliates

Fred Hutch holds a 70% ownership interest in two limited partnerships, ARE-Seattle No. 55 JV, LLC (No. 55 JV), and ARE-Seattle No. 56 JV, LLC (No. 56 JV). The entities were formed in September 2024 to

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own and operate life science commercial property in Seattle. The investment is accounted for using the equity method of accounting due to Fred Hutch's ability to exercise significant influence over the entities' operations without having control.

The entities were formed with initial capital contributions of \$120,130 and \$90,103. As of June 30, 2025, the carrying value of the total investment is \$122,294 and \$90,281 for No. 55 JV and No. 56 JV, respectively. Other income recorded during the year from these investments is \$4,952 and \$1,716, respectively. Management has evaluated both entities for impairment and concluded that no indicators of impairment exist as of the reporting date.

Fred Hutch entered into separate finance lease agreements with both entities. The ROU assets and the lease liabilities are recorded consistent with similar leases under ASC 842 and internal policies. Fred Hutch recognized \$4,607 and \$233 of lease expenses for ARE-Seattle No.55 JV, LLC and ARE-Seattle No.56 JV, LLC, respectively, for the year ended June 30, 2025. The following is a summary of No. 55 JV and No. 56 JV financial position and results of operations for the year ended June 30, 2025:

	<u>No.55 JV</u>	<u>No.56 JV</u>
Assets	\$ 30,075	37,963
Liabilities	\$ 711	1,348
Net assets	29,364	36,615
Total liabilities and net assets	\$ 30,075	37,963
	<u>No.55 JV</u>	<u>No.56 JV</u>
Revenue	\$ 10,134	6,538
Less expenses	(2,880)	(4,202)
Net income	\$ 7,254	2,336

(6) Investments

Investments are carried at fair value and include equity securities, debt securities, and alternative investments. GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Quoted prices (unadjusted) in active markets accessible at the measurement date for identical investments.
- Level 2 – Inputs based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, data other than quoted prices that are observable

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for the asset or liability, and data that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 – Inputs that are derived principally from or corroborated by unobservable market data by correlation or other means.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(a) Fair Value Calculation Methodology

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Investments and trusts – Investments in equity and debt securities, beneficial interest in charitable remainder trusts and perpetual trusts are measured at fair value based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Alternative investments are measured at fair value based on each fund's net asset value (NAV) as a practical expedient. Other equity securities, which are shares held in a nonpublic entity, are measured at fair value based on management's valuation model. Management's model utilizes data and assumptions that are not observable to market participants.

Long-term debt – The carrying amount of long-term debt with variable interest rates approximates fair value because interest rates are adjusted either daily or weekly for the variable rate demand bonds. The carrying amount of the fixed rate debt is calculated based upon the net present value of the future cash outflows of the associated fixed rate debt discounted at the interest rates in effect as of June 30, 2025 and 2024.

Cash flow hedges – The carrying amounts of the interest rate swaps are at estimated fair values based on the net present value of the associated variable cash flows, adjusted for Fred Hutch's and the respective counterparty's nonperformance risk.

(b) Fair Value Hierarchy

In accordance with GAAP, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

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The following tables present assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2025 and 2024:

	<u>June 30, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments measured by fair value level:				
US Treasury notes and bills	\$ 101,638	101,638	—	—
Global equity securities and funds	468,411	465,807	2,604	—
Governments, mortgage, and corporate debt funds	211,356	112,379	98,977	—
Commodity investment and funds	7,356	7,356	—	—
Other equity securities	3,470	—	—	3,470
	<u>792,231</u>	<u>687,180</u>	<u>101,581</u>	<u>3,470</u>
Total investments by fair value level				
Investments measured using NAV:				
Private equity and venture capital funds	57,494			
Directional hedge securities	<u>58,326</u>			
	<u>115,820</u>			
Total investments measured using NAV				
Total investments	<u>\$ 908,051</u>			
Assets:				
Beneficial interest in charitable remainder trusts	\$ 4,843	—	—	4,843
Beneficial interest in perpetual trusts	37,106	—	—	37,106
Liabilities:				
Deferred credit on cash flow hedges	(5,767)	—	(5,767)	—

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	<u>June 30, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments measured by fair value level:				
US Treasury notes and bills	\$ 141,532	141,532	—	—
Global equity securities and funds	543,579	541,129	2,450	—
Governments, mortgage, and corporate debt funds	255,804	81,647	174,157	—
Commodity investment and funds	6,656	6,656	—	—
Other equity securities	3,350	—	—	3,350
Total investments by fair value level	<u>950,921</u>	<u>770,964</u>	<u>176,607</u>	<u>3,350</u>
Investments measured using NAV:				
Global equity securities	66,929			
Private equity and venture capital funds	50,785			
Directional hedge securities	<u>52,529</u>			
Total investments measured using NAV	<u>170,243</u>			
Total investments	<u>\$ 1,121,164</u>			
Assets:				
Beneficial interest in charitable remainder trusts	\$ 4,381	—	—	4,381
Beneficial interest in perpetual trusts	35,337	—	—	35,337
Liabilities:				
Deferred credit on cash flow hedges	(5,611)	—	(5,611)	—

There was no material activity in Level 3 investments during the current year. No new charitable remainder trusts were added during the years ended June 30, 2025 and 2024.

Fred Hutch's interests in certain non-readily marketable alternative investments, such as hedge funds and private equity limited partnerships, are stated at fair value based on NAV estimates used as a

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practical expedient reported to Fred Hutch by investment fund managers. The valuation method for investments measured using NAV per share (or its equivalent) is presented in the following table.

	<u>June 30, 2025</u>	<u>Redemption or liquidation</u>	<u>Days notice</u>	<u>Unfunded commitment</u>
Private equity and venture capital funds	\$ 57,494	N/A	N/A	\$ 55,939
Directional hedge securities	<u>58,326</u>	Every 2 years	30 – 184	N/A
Total investments measured using NAV	\$ <u>115,820</u>			

	<u>June 30, 2024</u>	<u>Redemption or liquidation</u>	<u>Days notice</u>	<u>Unfunded commitment</u>
Global equity securities	\$ 66,929	Monthly	30	\$ N/A
Private equity and venture capital funds	50,785	N/A	N/A	28,238
Directional hedge securities	<u>52,529</u>	Every 2 years	30 – 184	N/A
Total investments measured using NAV	\$ <u>170,243</u>			

Global equity securities: This investment category includes public equity investments in separately managed accounts, long -only comingled funds, and passive market indices. Fair values have been determined using the NAV per share of the investments. All of the investments in this category can be redeemed within a year.

Private equity and venture capital funds – This category includes real estate, buyout, venture, and special situation funds. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. These funds do not allow investor redemption request. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next 15 years.

Directional hedge securities – The categories include public equity investments in separately managed accounts, long and short comingled funds. Fair values have been determined using the NAV per share (or its equivalent) of the ownership in the partners' capital or the investment fund.

Investments in this category can be redeemed within the next year.

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Fred Hutch's investments contain endowment funds with donor restrictions for research and other related purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of -donor-imposed restrictions. Fred Hutch's board designated investments include funds designated to function as endowments and funds designated for the clinic expansion. The Board of Directors may also elect to remove designations on funds previously designated.

(c) Components of Investment Income for the Years Ended June 30 are as Follows:

	<u>2025</u>	<u>2024</u>
Investment income:		
Interest and dividend income	\$ 43,167	48,383
Income from investments in affiliates	6,668	—
Net realized gains (losses)	<u>90,269</u>	<u>(12,826)</u>
	140,104	35,557
Less investment management fees	<u>(2,085)</u>	<u>(1,343)</u>
Total investment income	<u>\$ 138,019</u>	<u>34,214</u>

(7) Endowments

(a) Return Objectives and Risk Parameters

Fred Hutch has adopted investment and spending policies for its endowment that aim to provide resources to its programs. The endowment includes donor restricted—funds as well as board designated—investments. Under this policy, as approved by the finance committee of Fred Hutch's Board of Directors, the primary objective of the investment of the endowment is to provide a rate of total return that exceeds the rate of inflation (as represented by the Consumer Price Index All—Urban Consumers) plus 5% over the long term. Fred Hutch defines the long term as five years and more. Consistent returns are to be emphasized over individual year results. The endowment should experience risk (volatility and variability of return) no greater than that of the market. Fred Hutch defines the market as the portfolio's asset allocation policy applied to the Russell 3000 Index, the Morgan Stanley Capital Europe, Australia, Far East (EAFE) Index or its equivalent, and the Bloomberg Barclays U.S. Aggregate Bond Index.

(b) Strategies Employed for Achieving Objectives

Fred Hutch relies on a total return strategy in which investment returns are achieved through both capital appreciation and current income to achieve its long—term—rate of return objectives. Fred Hutch utilizes an efficient frontier approach to establish the appropriate asset allocation balancing long—term—return objectives within prudent risk constraints. The finance committee of Fred Hutch's Board of Directors reviews Fred Hutch's asset allocation at least once a year.

(c) Spending Policies and How the Investment Objectives Relate to Spending Policies

Fred Hutch's spending policy for individual endowment funds is to appropriate for distribution each year 5% of the endowment fund's average fair value over the prior three years, provided that the fair value

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of the endowment fund exceeds the corpus. Certain board designated -funds held for future capital and debt obligations do not make distributions. For the remaining endowment funds, Fred Hutch appropriates distributions to support its programs.

(d) Funds with Deficiencies

Unless otherwise agreed with the donor, Fred Hutch's policy has been to maintain the value of the original corpus of each individual donor restricted -endowment fund. the fair value of endowment funds may fall below the original corpus or such other level as may have been agreed to by the donor or required by law. Losses on donor restricted endowment funds reduce net assets with donor restrictions. As of June 30, 2025 and 2024, there were no funds with a fair market value below the original corpus value.

(e) Endowment Allocation and Activity

The following tables show the net asset composition of Fred Hutch's endowment funds by type of fund as of June 30, 2025 and 2024:

		2025		
		Without donor restriction	With donor restriction	Total
Donor-restricted endowment funds	\$	—	147,233	147,233
Board designated endowment funds		292,441	—	292,441
	\$	<u>292,441</u>	<u>147,233</u>	<u>439,674</u>
		2024		
		Without donor restriction	With donor restriction	Total
Donor-restricted endowment funds	\$	—	131,506	131,506
Board designated endowment funds		433,441	—	433,441
	\$	<u>433,441</u>	<u>131,506</u>	<u>564,947</u>

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The following tables show the activity that has occurred within the endowment net asset accounts for the years ended June 30, 2025 and 2024:

		2025	
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 433,441	131,506	564,947
Investment return:			
Investment income	6,635	2,696	9,331
Net realized gains	55,507	2,141	57,648
Net (depreciation)/appreciation – unrealized	(29,621)	9,983	(19,638)
Total investment return	32,521	14,820	47,341
Contributions	—	22,145	22,145
Transfers In/(Out)	(170,756)	(14,807)	(185,563)
Appropriation of endowment assets for expenditure	(2,765)	(6,431)	(9,196)
Endowment net assets, end of year	\$ <u>292,441</u>	<u>147,233</u>	<u>439,674</u>

		2024	
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 436,775	110,275	547,050
Investment return:			
Investment income	8,825	1,990	10,815
Net realized gains/(losses)	(7,882)	(844)	(8,726)
Net appreciation/(depreciation) – unrealized	48,741	12,067	60,808
Total investment return	49,684	13,213	62,897
Contributions	—	11,382	11,382
Transfers In/(Out)	(50,674)	1,290	(49,384)
Appropriation of endowment assets for expenditure	(2,344)	(4,654)	(6,998)
Endowment net assets, end of year	\$ <u>433,441</u>	<u>131,506</u>	<u>564,947</u>

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Contributions to the endowment are recorded when cash is received; pledges are recorded as receivables separate from of the endowment net assets.

(8) Land, Buildings, and Equipment

Summaries of land, buildings and equipment at cost as of June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 173,945	142,661
Buildings	1,234,799	1,006,950
Equipment	355,292	331,684
Construction in progress	<u>38,626</u>	<u>73,813</u>
	1,802,662	1,555,108
Less accumulated depreciation	<u>(663,210)</u>	<u>(599,917)</u>
Land, buildings and equipment, net of accumulated depreciation	\$ <u>1,139,452</u>	<u>955,191</u>

For the years ended June 30, 2025 and 2024 depreciation expense amounted to \$72,294 and \$65,874, respectively.

(9) Notes and Pledges Receivable

Pledges receivable are unconditional donor promises to give and are recorded at the net present value of expected future payments. The discount on these amounts are calculated based on the Treasury Constant Maturity in effect as of the date of the promise.

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Unconditional pledges are expected to be received in the following periods:

Payments through June 30,		
2026	\$	137,930
2027		65,270
2028		63,351
2029		61,734
2030		39,865
Thereafter		<u>81,020</u>
		449,170
Less discount, net		<u>(42,509)</u>
Total pledges receivable, net		406,661
Add notes receivable		<u>2,785</u>
Total notes and pledges receivable, net	\$	<u>409,446</u>

(10) Collaboration Agreement

Under the terms of the Collaboration Agreement, University of Washington (UW) relinquished its membership interest in the SCCA and restructured their cancer programs into a single clinically integrated adult oncology program that unites innovative research and compassionate care to prevent and eliminate cancer and infectious disease. Under a management agreement, Fred Hutch provides management services to participating University of Washington Medicine (UWM) oncology programs.

The Collaboration Agreement includes a Financial Alignment Plan (FAP). The FAP prescribes the methodologies to allocate clinical resources and provides for a perpetual flow of funds between Fred Hutch and UWM to support the integrated program. The flow of funds is expected to be predominantly from Fred Hutch to UWM, but under certain conditions payments from UWM to Fred Hutch may be required. The FAP was accounted for in accordance with *Collaborative Arrangements (Topic 808)* with a recorded long-term-liability of \$428,824. A Collaborative Arrangement expense of \$78,943 and \$50,056 was accrued for the years ended June 30, 2025 and 2024, respectively.

UWM and Fred Hutch will determine the final settlement of the annual FAP calculations 180 days after fiscal year-end. Upon finalization and mutual approval, the actual liability is adjusted to reflect the final expense. As of June 30, 2025 and 2024 Fred Hutch accrued \$39,698 and \$11,356, respectively, of Collaboration Expense payable to UWM pending final settlement as Other liabilities on the Statement of Position.

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(11) Long-Term Debt

Summaries of long-term debt as of June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Washington Health Care Facilities Authority Revenue Bonds, Series 2025A, due in varying amounts through 2045 plus interest at fixed interest rates, net of unamortized bond premium of \$12,578	\$ 185,323	—
Washington Health Care Facilities Authority Revenue Bonds, Series 2022C, due in varying amounts through 2052 plus interest at a variable interest rate	55,000	55,000
Washington Health Care Facilities Authority Revenue Bonds, Series 2022D, due in varying amounts through 2034 plus interest at a fixed interest rate	85,770	94,795
Washington Health Care Facilities Authority Revenue Bonds, Series 2022E, plus interest at a variable interest rate	—	125,000
Taxable Bonds, Series 2022, due in 2052 plus interest at a fixed interest rate	300,000	300,000
Washington Health Care Facilities Authority Revenue Bonds, Series 2021, (SCCA), due in varying amounts through 2048 plus interest at fixed rates, net of unamortized bond premium of \$4,514	39,194	40,489
Washington Health Care Facilities Authority Revenue Bonds, Series 2020, (SCCA), due in varying amounts through 2055 plus interest at fixed rates, net of unamortized bond premium of \$36,072	267,577	270,107
Taxable Bonds, Series 2020, (FHCRC) due in varying amounts through 2050 at a fixed interest rate	121,225	121,225
Washington Health Care Facilities Authority Revenue Bonds, Series 2014, (SCCA), plus interest at fixed rates	—	64,883
Notes payable, net of unamortized discount \$380	4,620	5,166
	<u>1,058,709</u>	<u>1,076,665</u>
Less deferred financing costs	<u>(7,593)</u>	<u>(6,515)</u>
Long-term debt, net	<u>\$ 1,051,116</u>	<u>1,070,150</u>

All of the Revenue Bonds above are subject to the terms of Fred Hutch's Master Trust Indenture which defines the members of the Obligated Group for the long-term debt, establishes a collateral pledge on the gross receivables of the Obligated Group and provides covenants, including a requirement to maintain a minimum a debt service coverage ratio of 1.10 times the annual debt service.

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On February 4, 2025, Fred Hutch issued \$172,745 Series 2025A bonds (the 2025A bonds) with a maturity date of March 1, 2045. The proceeds were used to finance general corporate purpose, and used to defease the Series 2022E bonds and the Series 2014 bonds. The Series 2025A bonds have a fixed interest rate ranging from 4.25% to 5%. \$12,915 of premium was obtained for 2025A bonds issuance and will be amortized based on the effective interest method until 2045. Deferred financing costs for the Series 2025A bonds are amortized through their final maturity in 2045.

On June 30, 2022, Fred Hutch issued \$283,545 Series 2022 C, D, E, and \$300,000 Taxable Bonds Series 2022. The proceeds were used to refinance a taxable bridge loan, finance general corporate purposes and pay for the costs of the Series 2017C, D, E Bonds and the Taxable Bonds Series 2022. The Series 2022D Bonds have a fixed interest rate of 3.34% while the Taxable Bonds Series 2022 have a fixed interest rate of 4.97%. The effective interest rate for the Series 2022C Bonds and was 4.65% for the year ended June 30, 2025. The 2022E bonds were advance refunded and defeased upon issuance of the 2025A bonds.

In fiscal year 2021, Fred Hutch borrowed the proceeds of the Washington Health Care Facility Authority's \$37,605 Revenue Bonds, Series 2021 (the 2021 Bonds). The bonds are issued for the purpose of providing the funds necessary, together with certain other moneys to, (1) finance, refinance, or reimburse a portion of the costs of acquisition of Seattle Proton Holdings, construction, remodeling, renovating, and equipping of certain health care facilities owned and operated by Fred Hutch, (2) redeem all of the outstanding Wisconsin Public Finance Authority Revenue Bonds, Series 2018A (Seattle Proton Center, LLC) acquired in the Business combination, and (3) pay certain costs incurred in the issuance and sale of the 2021 Bonds. The 2021 Bonds have fixed interest rates ranging from 3.00% to 5.00%.

In fiscal year 2021, Seattle Cancer Care Alliance borrowed the proceeds of the Washington Health Care Facility Authority's \$232,925 Revenue Bonds, Series 2020 (the 2020 Bonds). The Bonds are issued for the purpose of providing the funds necessary to (1) finance, refinance, or reimburse a portion of the costs of acquisition, construction, remodeling, renovating and equipping certain health care facilities owned and operated by Fred Hutch (2) advance refund and defease all of the Washington Health Care Facilities Authority Revenue Bonds, Series 2010 (Seattle Cancer Care Alliance) previously owned, (3) fund capitalized interest and (4) pay certain costs incurred in the issuance costs of the 2020 bonds. The 2020 bonds have fixed interest rates ranging from 4.00% to 5.00%.

In fiscal year 2020, Fred Hutchinson Cancer Research Center issued taxable bonds (the 2020 Taxable Bonds) with a par amount of \$121,225 and a maturity date of January 1, 2050. The 2020 Taxable Bonds are in varying amounts with a fixed average coupon rate of 3.95%. The proceeds were used to defease the Washington Health Care Facilities Authority Revenue Bonds, Series 2011A (Fred Hutchinson Cancer Research Center). The 2020 Taxable Bonds were issued under a public bond placement.

In fiscal year 2015, Fred Hutchinson Cancer Research Center borrowed the proceeds of the Washington Health Care Facility Authority's \$86,950 Revenue Bonds, Series 2014 (the 2014 Bonds). The 2014 Bonds are issued for the purpose of providing the funds necessary to advance refund and defease all the Washington Health Care Facility Authority, Revenue Bonds, Series 2008 (Seattle Cancer Care Alliance), and pay certain costs in connection with the issuance of the 2014 Bonds. The 2014 Bonds have fixed interest rates ranging from 4.00% to 5.00%. The 2014 bonds were advance refunded and defeased upon issuance of the 2025A bonds.

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As a result of the business combination with Seattle Proton Holdings and SCCA in February 2021, Fred Hutch assumed two notes payable. The remaining principal totaling \$4,620 and \$5,166 on June 30, 2025 and 2024, respectively. Accrued interest balances totaling \$135 and \$149 on June 30, 2025 and 2024, respectively. The terms of the notes state the unsecured debt accrues interest at a rate of 5% per year. Future payments of principal and interest on these notes will be made only from excess cash generated by the proton facility as defined in the agreements, if certain financial ratios have been met, and the aggregate amount of all such payments do not exceed \$836 for any fiscal year.

The following schedule shows future long-term maturities by year:

2026	\$	14,694
2027		15,862
2028		16,462
2029		17,083
2030		17,732
Thereafter		<u>924,092</u>
		1,005,925
Plus unamortized net premiums		<u>52,784</u>
	\$	<u><u>1,058,709</u></u>

(12) Retirement Plan

Fred Hutch has a 403(b) defined contribution plan for its salaried employees. Employees are generally eligible after one year of service. Fred Hutch contributes 7% of each employee's compensation up to the Social Security wage base limit and 12% on compensation above that limit. For certain management employees, Fred Hutch contributes 10% of compensation up to the Social Security wage base limit and 15% above the limit.

Retirement plan contributions for the year ended June 30, 2025 and 2024, were \$46,694 and \$43,211, respectively.

(13) Annuities

Fred Hutch administers gift annuities for which it makes periodic distributions to the annuitants. When contributed assets are initially received, the assets are recorded at fair value within the investments balance, and contribution revenue is recorded equal to the value of the contributed assets received less the annuity liability. The present value of the annuity liability totaled \$1,761 and \$1,856 on June 30, 2025 and 2024, respectively. The reserve fund requirement as determined by actuarial means was \$2,180 and \$2,135 on June 30, 2025 and 2024, respectively. The liability is revalued and adjusted annually based upon actuarially calculated present values. Present values are based on life expectancy and discount rates. Fred Hutch maintains segregated funds that exceed the actuarial value of the annuity liability as required by law.

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(14) Leases

Fred Hutch has various operating leases. For the year ended June 30, 2024, Fred Hutch had one financing lease related to equipment. For the year ended June 30, 2025, Fred Hutch had three finance leases related to buildings, offices, and equipment.

Payments due under the lease contracts include fixed and variable payments plus market rate adjustments.

The components of the lease cost for the years ended June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Fixed lease costs	\$ 25,864	27,931
Variable lease costs	<u>4,576</u>	<u>4,865</u>
Total lease costs	<u>\$ 30,440</u>	<u>32,796</u>

Weighted average remaining lease term and discount rates are as of June 30:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term in years:		
Operating lease	14.83	15.03
Finance lease	9.09	2.13
Weighted average discount rate:		
Operating lease	3.70%	3.23%
Finance lease	3.23	3.76

The cash paid for amounts included in lease costs was \$15,343 and \$22,019 for operating leases and \$6,719 and \$1,158 for financing leases during the years ended June 30, 2025 and 2024, respectively.

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Maturities of lease liabilities under noncancelable leases as of June 30, 2025 and 2024, are as follows:

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2026	\$ 13,121	8,014	21,135
2027	13,533	7,261	20,794
2028	11,595	7,668	19,263
2029	8,619	9,040	17,659
2030	6,188	9,529	15,717
Thereafter	<u>70,524</u>	<u>115,262</u>	<u>185,786</u>
Total undiscounted cash flows	123,580	156,774	280,354
Less imputed Interest	<u>(32,860)</u>	<u>(30,092)</u>	<u>(62,952)</u>
Present value of lease liabilities	<u>\$ 90,720</u>	<u>126,682</u>	<u>217,402</u>

There are no real estate obligations for leases signed but not yet commenced as of June 30, 2025 and 2024.

(15) Contingencies

(a) *Litigation and Compliance with Laws and Regulations*

Fred Hutch is subject to litigation and regulatory investigations arising in the normal course of its business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effects on Fred Hutch's future financial position or results from operations.

The research industry is subject to numerous federal, state, and local laws and regulations. Some of these laws govern licensure, accreditation, and government program participation requirements. Government agencies are actively conducting investigations concerning possible violations of these statutes and regulations by research facilities. Violations of these laws and regulations could result in expulsion from government programs, together with the imposition of significant fines and penalties. Compliance with laws and regulations is subject to future government review and interpretation of such laws and regulations as well as regulatory actions unknown or unasserted at this time.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, governmental healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

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Through its compliance program, Fred Hutch maintains an effective and safe program for reporting and addressing potential regulatory concerns. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions known or unasserted at this time.

(b) Contingent Liability

Fred Hutch received federal grant funding for a portion of the construction of its South Lake Union Campus. Because Fred Hutch received federal grant funding for a portion of its campus, the government retains an interest in the net proceeds received if portions of the campus are sold. No liability is recorded related to this interest. Management has determined the probability of this transaction occurring is remote and the value of the interest is unmeasurable.

(16) Functional Expenses

Fred Hutch provides clinical healthcare and research services. The following tables present expenses by both their nature and function for the years ended June 30, 2025 and 2024:

	2025				
	Program services clinical	Program services research	Management and general	Fundraising	Grand Total
Salaries, wages and benefits	\$ 309,557	410,329	116,911	19,454	856,251
Subawards	—	77,525	—	—	77,525
Purchased services	242,449	55,739	47,614	3,648	349,450
Collaborative arrangement	78,943	—	—	—	78,943
Supplies and pharmaceuticals	689,179	40,500	2,574	129	732,382
Rent, utilities and maintenance	41,414	25,468	21,819	426	89,127
Interest, depreciation and amortization	40,884	63,817	19,671	344	124,716
Other	24,582	50,538	37,526	7,650	120,296
Total operating expenses	\$ 1,427,008	723,916	246,115	31,651	2,428,690

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	2024				
	Program services clinical	Program services research	Management and general	Fundraising	Grand Total
Salaries, wages and benefits	\$ 262,461	385,845	92,091	16,248	756,645
Subawards	—	102,634	—	—	102,634
Purchased services	222,371	56,503	29,899	3,382	312,155
Collaborative arrangement	50,056	—	—	—	50,056
Supplies and pharmaceuticals	531,823	39,156	3,202	66	574,247
Rent, utilities and maintenance	38,780	24,898	18,914	358	82,950
Interest, depreciation and amortization	39,550	59,956	24,493	323	124,322
Other	17,198	36,869	38,191	6,744	99,002
Total operating expenses	\$ 1,162,239	705,861	206,790	27,121	2,102,011

(17) Related Party–Transactions

Fred Hutch purchases services and products from its related parties. By leveraging the existing infrastructure of its related parties, Fred Hutch has increased efficiencies. Each year Fred Hutch negotiates services and costs with its related parties. Purchased goods and services support the operation of the 20–bed licensed hospital and its ambulatory cancer care services. Purchases include physician and other clinical and non-clinical labor, certain support functions such as information technology, facility and equipment rental, pharmaceutical and other medical supplies, data collection and analysis, and license rights to related party organizations' names.

Fred Hutch also sells goods and services to its related parties including programmatic direction for cancer services, clinical and non-clinical labor, and facility rentals.

The following table summarizes, by related party, the impact of these transactions to the accompanying consolidated statements of activities and financial position.

	2025					
	Service and other income	Research grants and contracts	Contributions	Interest income	Total	
UW	\$ 25,383	14,231	120	5,389	45,123	
	Purchased services	Subawards	Supplies and Pharmaceuticals	Lease expense	Other	Total
UW	\$ 196,711	18,331	41	40	1,384	216,507

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		2024				
	<u>Service and other income</u>	<u>Research grants and contracts</u>	<u>Contributions</u>	<u>Interest income</u>	<u>Total</u>	
UW	\$ 19,054	11,983	566	5,984	37,587	
	<u>Purchased services</u>	<u>Subawards</u>	<u>Supplies and Pharmaceuticals</u>	<u>Lease expense</u>	<u>Other</u>	<u>Total</u>
UW	\$ 177,921	15,049	83	458	(602)	192,909

Amounts due from or due to related parties are included in other assets and accounts payable and accrued expenses for the various transactions described above are as follows on June 30:

2025		
	<u>Due from related party</u>	<u>Due to related party</u>
UW	\$ 5,612	30,574

2024		
	<u>Due from related party</u>	<u>Due to related party</u>
UW	\$ 8,327	30,958

(18) Service and Other Income

Service and other income includes income from noncore sources, including service agreements, commercialization, related party–transactions, professional services, core resources, rent, parking, and similar activities. Fred Hutch had \$64,859 and \$41,938 of service and other income for the years ended June 30, 2025 and 2024.

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(19) Net Patient Service Revenue

Fred Hutch has agreements with third-party payors that provide payments to Fred Hutch at amounts different from its established rates. Patient services revenues were billed to the following payors for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Commercial	\$ 904,707	778,853
Medicare	596,688	462,713
Medicaid	70,234	49,623
Self-pay and other	<u>12,098</u>	<u>10,613</u>
Total patient services revenue	\$ <u>1,583,727</u>	<u>1,301,802</u>

For the years ended June 30, 2025 and 2024, revenue recognized from performance obligations related to prior periods (for example, due to changes in transaction price) was insignificant.

A summary of the payment arrangements with major third-party payors is as follows:

(a) Commercial

Fred Hutch negotiates contracts for reimbursement of care provided to patients with commercial third-party insurance payors.

For certain commercial payors, Fred Hutch has negotiated a single payment (case rate) for a defined period of care (case rate period) related to providing a bone marrow or stem cell transplant. All of Fred Hutch's case rate contracts specify a minimum and maximum payment calculation based on a review of actual gross charges provided during the case rate period. In addition to the case rate payments, the case rate contracts also specify negotiated fee-for-service rates for services performed outside of the case rate period. Case rate contracts extend to Fred Hutch related parties. Fred Hutch serves as the collection agent for the case rate payments. All case rate payments are remitted to Fred Hutch, which in turn remits payments to each respective related party for its proportionate share of services rendered. Any liability to related parties has been accrued in accounts payable and accrued expenses on June 30, 2025 and 2024.

(b) Medicare

Medicare pays for inpatient hospital services under the prospective payment system (PPS) unless the provider is statutorily exempt from PPS (Exempt Hospital). PPS hospitals are paid a predetermined flat rate for inpatient care that is based on the patient's diagnosis at discharge while Exempt Hospitals are paid based on the "reasonable cost" of the services provided subject to an annual rate of increase limit. Exempt Hospitals receive an interim payment based on a percentage of charges submitted that is adjusted based on the filed cost report. Certain types of cancer hospitals are currently included among the Exempt Hospitals. Fred Hutch's inpatient facility is recognized by Medicare as an Exempt Hospital.

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Medicare has historically paid for outpatient services on the basis of the cost of or a portion of the cost of providing the services. The Balanced Budget Act of 1997 required a phased in prospective payment system for outpatient services (OP PPS). The Center's for Medicare and Medicaid Services (CMS), an agency of the United States Department of Health and Human Services, issued regulations implementing OP PPS, which became effective as of August 1, 2000. Before the effective date of OP PPS, the Balanced Budget Refinement Act of 1999 established a "hold harmless" provision for cancer hospitals ensuring that they would be supplemented for certain covered services incurred under OP PPS. Under the hold harmless provision, if the amount of payment the cancer hospital would receive under OP PPS is less than what it would have received before OP PPS' implementation, the amount of payment due to the cancer hospital will be increased by the amount of such difference. As an Exempt Hospital, Fred Hutch qualifies for payment under the hold harmless provision.

The Budget Control Act of 2011 requires automatic spending reductions beginning April 1, 2013 to reduce the federal deficit, including Medicare spending reductions of up to 2% for a fiscal year, with a uniform percentage reduction across all Medicare programs. In 2013, the CMS notified Fred Hutch that Medicare fee-for-service claims with dates of service or dates of discharge on or after April 1, 2013 will incur a 2% reduction in Medicare payments.

Settlements with third-party payors for retroactive adjustments due to audits, review or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Fred Hutch's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments from finalizations of prior-year cost reports and other third-party settlement estimates resulted in an increase of net patient service revenues of approximately \$6,138 and \$3,502 in 2025 and 2024, respectively.

(c) Medicaid

Fred Hutch is paid for services provided to Medicaid patients under the state's fee schedule, which is based on a modification of Medicare's prospective payment systems for inpatient and outpatient care. In 2009, the State of Washington enacted a safety net assessment program involving Washington State hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services.

(d) Self-Pay and Other Insurers

Self-pay patients are those who do not qualify for government program payments, such as Medicare and Medicaid, do not have private insurance, and therefore are responsible for their own medical bills. Despite comprising a smaller percent of Fred Hutch's patient service revenues, the risk of collectability is higher with self-pay accounts. Any increases in uninsured individuals or changes to the payor mix could increase amounts due from individuals.

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Other Insurers are patients whose funding stems from TRICARE and other insurers such as workers' compensation. TRICARE is the Department of Defense's health care program for members of the armed forces. For inpatient clinical services, TRICARE reimburses Fred Hutch based on a Diagnosis Related Group (DRG) system modeled on the Medicare inpatient PPS. For outpatient clinical services, TRICARE reimburses Fred Hutch based on a PPS that is similar to that utilized for services provided to Medicare beneficiaries.

(20) Concentration of Credit Risk

Fred Hutch grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. Percentage of outstanding patient accounts receivable by third-party-payor and patients are as follows on June 30, 2025 and 2024:

	2025	2024
Patient accounts receivable:		
Commercial	50 %	49 %
Medicare	37	38
Medicaid	9	9
Self-pay and other	4	4
Total	100 %	100 %

(21) Accounting for Derivative Instruments and Hedging Activities

Accounting principles require that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the statements of financial position as either an asset or liability measured at its fair value.

(a) Interest Rate Swaps

Fred Hutch entered into two interest rate swap agreements to mitigate the risks associated with variable rate bond issues. The agreements were amended to match the duration of the existing underlying variable rate bonds. The first swap has a notional amount of \$56,577. The interest rate paid by Fred Hutch is fixed at 3.60% while the counterparty pays Fred Hutch 67% of an indexed rate. The second swap has a notional value of \$52,723. The interest rate paid by Fred Hutch is fixed at 3.53% while the counterparty pays Fred Hutch 89% of an indexed rate. The second swap was terminated in September 2024.

The fair value is the estimated amount the counterparties would receive or pay to terminate the swap agreements at the reporting date based on current interest rates and the current creditworthiness of the swap counterparties. The fair value of the swap, recorded as deferred credits on cash flow hedges, was \$5,767 and \$5,611 on June 30, 2025 and 2024, respectively.

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(b) Collateral Posted with Swap Counterparty

The swap agreements contain terms that require Fred Hutch to post collateral with the counterparty if certain conditions are met, including when the fair value amount to terminate the swaps exceeds \$40,000 as of June 30, 2025 and 2024, respectively. No collateral amounts were required to be posted as of June 30, 2025 and 2024.

(c) Currency Hedge Activity

Fred Hutch purchases forward contracts for South African Rand (ZAR) currency. This allows Fred Hutch to mitigate currency risk related to HCRISA research activities in South Africa. Outstanding forward contracts that obligate Fred Hutch to purchase ZAR on June 30, 2025 and 2024 was R95,000, (\$5,076 USD) and R95,000 (\$4,917 USD).

(22) Subsequent Events

Fred Hutch has evaluated subsequent events through October 7, 2025 the date the consolidated financial statements were issued, and has included all necessary adjustments and disclosures.