



FRED HUTCHINSON CANCER CENTER

Consolidated Financial Statements

June 30, 2026 and 2025

(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, 2026 and 2025, and the related consolidated 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, 2026 and 2025, 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 9, 2026

FRED HUTCHINSON CANCER CENTER
Consolidated Statements of Financial Position
June 30, 2026 and 2025
(In thousands)

Assets	2026	2025
Assets:		
Cash and cash equivalents	\$ 356,287	197,558
Patient accounts receivable, net	222,163	213,887
Grants and contracts receivable, net	41,827	39,905
Notes and pledges receivable, net	322,377	409,446
Investments	991,470	908,051
Investment in affiliates	211,669	212,575
Land, buildings and equipment, net	1,122,698	1,139,452
Operating right-of-use assets	76,047	86,882
Finance right-of-use assets	109,098	112,038
Other assets	266,826	269,785
Total assets	<u>\$ 3,720,462</u>	<u>3,589,579</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 227,164	211,782
Due to related parties	63,582	70,522
Other liabilities	74,578	58,392
Operating lease liabilities	80,466	90,720
Finance lease liabilities	122,629	126,682
Long-term debt	1,029,658	1,051,116
Collaborative arrangement	428,824	428,824
Total liabilities	<u>2,026,901</u>	<u>2,038,038</u>
Net assets:		
Without donor restrictions	887,672	789,824
With donor restrictions	805,889	761,717
Total net assets	<u>1,693,561</u>	<u>1,551,541</u>
Total liabilities and net assets	<u>\$ 3,720,462</u>	<u>3,589,579</u>

See accompanying notes to consolidated financial statements.

FRED HUTCHINSON CANCER CENTER

Consolidated Statement of Activities

Year ended June 30, 2026

(In thousands)

	Without donor restriction	With donor restriction	2026 Total
Revenues and other support:			
Patient service revenue, net	\$ 1,852,256	—	1,852,256
Research grants and contracts, net	493,009	—	493,009
Contributions	59,719	82,059	141,778
Investment income and realized gains, net	64,321	12,529	76,850
Service and other income	109,527	—	109,527
Net assets released from restrictions	70,221	(70,221)	—
Total revenues	2,649,053	24,367	2,673,420
Operating expenses:			
Salaries, wages and benefits	902,670	—	902,670
Subawards	77,361	—	77,361
Purchased services	349,183	—	349,183
Collaborative arrangement	77,742	—	77,742
Supplies and pharmaceuticals	891,121	—	891,121
Rent, utilities and maintenance	92,678	—	92,678
Interest, depreciation and amortization	129,958	—	129,958
Other	127,013	—	127,013
Total expenses	2,647,726	—	2,647,726
Change in net assets from operations	1,327	24,367	25,694
Other changes in net assets:			
Capital contributions	24,870	1,250	26,120
Capital releases	2,000	(2,000)	—
Change in net unrealized fair value of investments	68,707	14,919	83,626
Loss on debt refinancing	(380)	—	(380)
Other net asset changes	1,324	5,636	6,960
Total other changes in net assets	96,521	19,805	116,326
Total changes in net assets	97,848	44,172	142,020
Net assets balance at beginning of year	789,824	761,717	1,551,541
Net assets balance at end of year	\$ 887,672	805,889	1,693,561

See accompanying notes to consolidated financial statements.

FRED HUTCHINSON CANCER CENTER

Consolidated Statement of Activities

Year ended June 30, 2025

(In thousands)

	Without donor restriction	With donor restriction	2025 Total
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
Service and other income	95,069	—	95,069
Net assets release from restrictions	53,240	(53,240)	—
Total revenues	2,426,701	84,751	2,511,452
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	2,428,690	—	2,428,690
Change in net assets from operations	(1,989)	84,751	82,762
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)
Gain on debt refinancing	2,167	—	2,167
Other net asset changes	850	3,050	3,900
Total other changes in net assets	32,006	(11,530)	20,476
Total changes in net assets	30,017	73,221	103,238
Net assets balance at beginning of year	759,807	688,496	1,448,303
Net assets balance at end of year	\$ 789,824	761,717	1,551,541

See accompanying notes to consolidated financial statements.

FRED HUTCHINSON CANCER CENTER

Consolidated Statements of Cash Flows

Years ended June 30, 2026 and 2025

(In thousands)

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Change in net assets	\$ 142,020	103,238
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	77,676	70,584
Amortization of finance lease right-of-use assets	1,827	19,094
Amortization of operating lease right-of-use assets	582	(15,829)
Income in affiliate investment	(7,358)	(6,668)
Distribution from affiliate investment	8,264	3,498
Change in net unrealized fair value of investments	(83,626)	22,264
Realized (gain) on investments, net	(25,115)	(90,269)
Change in value of split interest agreements	(5,136)	(2,583)
Change in fair value of swap instruments	(1,320)	(925)
Loss (gain) on defeasance of debt	380	(2,167)
Noncash contributions	(76,123)	(101,288)
Proceeds from sale of contributed securities	76,123	101,288
Restricted contributions	(44,313)	(34,727)
Changes in assets and liabilities:		
Grants and contracts receivable	(1,922)	9,539
Patient accounts receivable	(8,276)	(50,591)
Notes and pledges receivable	87,069	(25,560)
Other assets	6,321	12,720
Decrease in noncash deferred revenue	(598)	(566)
Due to related parties	(6,940)	27,852
Accounts payable and accrued liabilities	30,184	12,406
Net cash provided by operating activities	<u>169,719</u>	<u>51,310</u>
Cash flows from investing activities:		
Additions to land, buildings, equipment and rental property	(58,944)	(255,477)
Purchase of investments	(266,402)	(643,617)
Purchase of affiliate investment	—	(209,405)
Sale of investments	291,724	925,816
Net cash (used in) investing activities	<u>(33,622)</u>	<u>(182,683)</u>
Cash flows from financing activities:		
Proceeds from new debt	—	185,660
Deferred financing costs	—	(1,910)
Repayment of long-term debt	(18,740)	(198,115)
Principal payments on finance lease	(2,941)	(3,318)
Contributions restricted for long-term investment	44,313	34,727
Net cash provided by financing activities	<u>22,632</u>	<u>17,044</u>
Net increase (decrease) in cash and cash equivalents	158,729	(114,329)
Cash and cash equivalents at beginning of year	<u>197,558</u>	<u>311,887</u>
Cash and cash equivalents at end of period	\$ <u>356,287</u>	<u>197,558</u>
Supplemental cash flow disclosure:		
Interest paid	\$ 50,605	47,373
Capital expenditures in accounts payable	4,790	1,869
Finance right-of-use asset and finance lease liability remeasurement	—	32,224

See accompanying notes to consolidated financial statements.

FRED HUTCHINSON CANCER CENTER

Notes to Consolidated Financial Statements

June 30, 2026 and 2025

(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 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 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:

- 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 its organizational objectives. The net assets of HCRI-Ug of \$(26,298) and \$(25,836) as of June 30, 2026 and 2025, 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 meet its organizational objectives. The net assets of HCRISA of \$6,948 and \$7,457 as of June 30, 2026 and 2025, 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 antiretroviral treatment to eligible participants in the HIV Trials Network. The net assets of SVRF of \$2,964 and \$2,859 as of June 30, 2026 and 2025, 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, 2026 and 2025

(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. Cash equivalents include highly liquid investments with a maturity of 90 days or less when purchased. This exposes Fred Hutch to risk if the financial institution becomes insolvent. Included in \$356,287 and \$197,558 of cash and cash equivalents as of June 30, 2026 and 2025 is \$8,190 and \$31,058, 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, which is stated at the lower of cost (weighted-average method), or net realizable value.

(e) Investment in Affiliates

Fred Hutch accounts for its 70% ownership interests in two 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 including 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 repair costs are expensed as incurred.

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

Fred Hutch receives funding for a portion of its buildings and equipment through direct and indirect cost recoveries, primarily from federally sponsored grants, and through capital contributions restricted to the acquisition of capital assets.

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Notes to Consolidated Financial Statements

June 30, 2026 and 2025

(In thousands)

(g) Leases

Fred Hutch is a lessee under non-cancelable operating and finance leases for buildings and equipment with terms extending up to forty years. Certain leases include renewal options ranging from two to fifty years. Fred Hutch determines whether an arrangement is or contains a lease at inception and recognizes a right-of-use (ROU) asset and corresponding lease liability 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 expense for these leases is recognized 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 the 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 contracts within comparable classes of customers. Patient service revenue is comprised of two primary portfolios: clinical services and retail pharmacy operations.

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June 30, 2026 and 2025

(In thousands)

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 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. The transaction price is based on the 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 adjustments 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. Revenue is recognized at a point in time, upon delivery of the drugs to the patient. 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 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 historical collection experience with those patients.

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.

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Notes to Consolidated Financial Statements

June 30, 2026 and 2025

(In thousands)

(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, such amounts are not reported as revenue. The estimated costs of financial assistance provided were approximately \$12,400 and \$14,170 for the years ended June 30, 2026 and 2025, respectively. The cost of financial assistance was calculated using a percentage of cost to charges, which were 48% and 50% in the years ended June 30, 2026 and 2025, respectively. The number of financial assistance patients served was 4,093 and 3,363 in the years ended June 30, 2026 and 2025, 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 82% and 84% of research revenue derived from federal agencies for the years ended June 30, 2026 and 2025, respectively.

Research grants and contracts that represent exchange transactions are recognized as revenue as performance obligations are satisfied through the achievement of milestones or other requirements specified 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 project 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 within Grants and contracts receivable, net.

(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 consolidated 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 statements of activities.

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Notes to Consolidated Financial Statements

June 30, 2026 and 2025

(In thousands)

(m) Conditional Contributions

Conditional promises to give are recognized at fair value when the conditions are met. Fred Hutch has estimated that conditional contributions with donor restrictions that do not meet revenue recognition criteria are \$112,105 and \$146,994 as of June 30, 2026 and 2025, respectively.

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 \$426,911 and \$385,667 as of June 30, 2026 and 2025, respectively.

Total conditional contributions are \$539,016 and \$532,661 as of June 30, 2026 and 2025, respectively.

(n) Perpetual Trusts and Charitable Remainder Trusts

Fred Hutch is the beneficiary of irrevocable perpetual trusts and charitable remainder trusts for which it 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 change in net unrealized fair value of investments in net assets with donor restrictions in 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, 2026 and 2025, there were \$5,336 and \$4,843, 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 other net asset changes, and gains or losses resulting from actual foreign exchange transactions are recorded in revenue and expenses in the consolidated statements of activities.

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Notes to Consolidated Financial Statements

June 30, 2026 and 2025

(In thousands)

(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 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 \$195,210 and \$174,530 and amounts restricted for time or purpose amounted to \$610,678 and \$587,187 as of June 30, 2026 and 2025, 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 statement 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 donor restrictions. 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 is reported within service and other income in the consolidated statements of activities.

(t) Professional Liability Insurance

Fred Hutch has claims-made professional and general liability insurance for 2026 and 2025. Fred Hutch has accrued an actuarial estimate of unreported claims as of June 30, 2026 and 2025, which is included in accounts payable and accrued liabilities in the consolidated statements of financial position.

(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 2026 and 2025, Fred Hutch did not record any liability for uncertain tax benefits.

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Notes to Consolidated Financial Statements

June 30, 2026 and 2025

(In thousands)

(v) Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications include the separate presentation of due to related parties in the Statements of Financial Position and program services collaborative agreements expenses in footnote (16) Functional Expenses. These reclassifications had no effect on previously reported total net assets, change in net assets, or cash flows.

(w) Change in Accounting Principle

Effective July 1, 2025, Fred Hutch changed its accounting policy for the classification of cash proceeds from the sale of contributed securities in the statement of cash flows to classify such proceeds as operating activities rather than investing activities. This is considered preferable because it more appropriately reflects the nature of the proceeds as donor support available for operations and provides greater consistency with the classification of other contribution-related cash flows. The change has been applied retrospectively, and the statement of cash flows for the year ended June 30, 2025 has been adjusted accordingly, resulting in an increase in net cash provided by operating activities of \$101,288 and an increase in net cash used in investing activities of \$101,288, with no effect on the total change in cash and cash equivalents or net assets.

(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 projects supported by federal and other grant revenue.

The fixed federal F&A rate for grant and contract supported projects 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 into future rate proposals. No estimated settlement was recorded as of June 30, 2026 and 2025.

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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 in the consolidated statements of financial position are expected to be readily available for general expenditures within one year:

	<u>2026</u>	<u>2025</u>
Financial assets:		
Cash and cash equivalents	\$ 356,287	197,558
Patient accounts receivable, net	222,163	213,887
Grants and contracts receivable, net	41,827	39,905
Notes and pledges receivable, net	322,377	409,446
Investments	991,470	908,051
Investment in affiliates	211,669	212,575
Other financial assets	<u>225,660</u>	<u>232,679</u>
Total financial assets, at year-end	<u>2,371,453</u>	<u>2,214,101</u>
Less those unavailable for general expenditures within one year:		
Notes and pledges receivable, net	216,619	271,516
Investments	182,895	139,871
Investment in affiliates	211,669	212,575
Other financial assets	<u>99,755</u>	<u>115,028</u>
Total unavailable for general expenditures within one year	<u>710,938</u>	<u>738,990</u>
Financial assets available for general expenditures within one year	\$ <u>1,660,515</u>	<u>1,475,111</u>

Other assets in the consolidated statement of financial position are comprised of financial assets of \$225,660 and \$232,679 and non-financial assets of \$41,166 and \$37,106 as of June 30, 2026 and 2025, respectively.

Other financial assets unavailable for general expenditure within one year include long-term 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.

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(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 own and operate life science commercial property in Seattle. The investment is accounted for using the equity method of accounting because Fred Hutch has the 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, 2026, the carrying value of the total investment is \$125,077 and \$86,592 for No. 55 JV and No. 56 JV, respectively. Investment income recorded for the year ended June 30, 2026 from these investments is \$6,980 and \$378, 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 consistently with similar leases under ASC 842 and internal policies. Lease expense recognized on leases with ARE Seattle No. 55 JV, and No. 56 JV was \$5,467 and \$276, respectively, for the year ended June 30, 2026.

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, 2026:

	<u>No. 55 JV</u>	<u>No. 56 JV</u>
Assets	\$ 39,008	33,011
Liabilities	\$ 5,848	1,550
Net assets	33,160	31,461
Total liabilities and net assets	\$ 39,008	33,011
	<u>No. 55 JV</u>	<u>No. 56 JV</u>
Revenue	\$ 12,441	6,114
Less expenses	(2,649)	(5,459)
Net income	\$ 9,792	655

(6) Fair Value Measurements and Investments

Investments are measured at fair value and consist of equity securities, debt securities, and alternative investments. In accordance with GAAP, fair value measurements are categorized within a hierarchy that prioritizes the observability of inputs used in the valuation techniques. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1

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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 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) Valuation Techniques and Inputs

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 interests 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, 2026 and 2025.

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 measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated 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, 2026 and 2025:

	<u>June 30, 2026</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments measured by fair value level:				
US Treasury notes and bills	\$ 85,547	85,547	—	—
Global equity securities	530,492	527,423	3,069	—
Governments, mortgage, and corporate debt	233,228	127,600	105,628	—
Commodity investments	8,343	8,343	—	—
Other equity securities	<u>1,669</u>	<u>—</u>	<u>—</u>	<u>1,669</u>
Total investments by fair value level	<u>859,279</u>	<u>748,913</u>	<u>108,697</u>	<u>1,669</u>
Investments measured using NAV:				
Private equity and venture capital funds	64,740			
Directional hedge securities	<u>67,451</u>			
Total investments measured using NAV	<u>132,191</u>			
Total investments	\$ <u>991,470</u>			
Assets:				
Beneficial interest in charitable remainder trusts	\$ 5,347	—	—	5,347
Beneficial interest in perpetual trusts	41,166	—	—	41,166
Liabilities:				
Deferred credit on cash flow hedges	(4,447)	—	(4,447)	—

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	<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	<u>3,470</u>	<u>—</u>	<u>—</u>	<u>3,470</u>
Total investments by fair value level	<u>792,231</u>	<u>687,180</u>	<u>101,581</u>	<u>3,470</u>
Investments measured using NAV:				
Private equity and venture capital funds	57,494			
Directional hedge securities	<u>58,326</u>			
Total investments measured using NAV	<u>115,820</u>			
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)	—

Changes in Level 3 investments during the current year were based on market movements. There were no additions during the years ended June 30, 2026 and 2025.

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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 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, 2026</u>	<u>Redemption or liquidation</u>	<u>Days notice</u>	<u>Unfunded commitment</u>
Private equity and venture capital	\$ 64,740	N/A	N/A	\$ 49,643
Hedge securities	<u>67,451</u>	Every 2 years	30 – 184	N/A
Total investments measured using NAV	\$ <u><u>132,191</u></u>			
	<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><u>115,820</u></u>			

Private equity and venture capital – This category includes real estate, buyout, venture, private credit 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 requests. 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.

Hedge securities – Hedge fund investments employ a range of investment strategies, including directional, relative value, event-driven, and multi-strategy approaches. Fair values of these investments have been determined using the NAV per share, or its equivalent, of the investment entity. Investments in this category can be redeemed within one year.

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

	<u>2026</u>	<u>2025</u>
Investment income:		
Interest and dividend income	\$ 46,620	43,167
Income from investments in affiliates	7,358	6,668
Net realized gains (losses)	<u>25,115</u>	<u>90,269</u>
	79,093	140,104
Less investment management fees	<u>(2,243)</u>	<u>(2,085)</u>
Total investment income	<u>\$ 76,850</u>	<u>138,019</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 or more. Consistent returns are to be emphasized over individual year results.

(b) Strategies Employed for Achieving Objectives

Fred Hutch relies on a total return strategy in which investment returns are generated 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 net average value over the preceding twelve quarters. Endowment funds with deficiencies may be subject to a reduced spending rate. Board designated funds held for future capital and debt obligations do not make distributions. Distributions from endowment funds are used to support programs in accordance with donor restrictions.

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(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, 2026 and 2025, there were no funds with a fair market value below the original corpus value.

(e) Endowment Allocation and Activity

Fred Hutch's investment portfolio includes 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.

The following tables show the net asset composition of Fred Hutch's endowment funds by type of fund as of June 30, 2026 and 2025:

	2026		
	Without donor restriction	With donor restriction	Total
Donor-restricted endowment funds	\$ —	192,521	192,521
Board designated endowment funds	272,159	—	272,159
	<u>\$ 272,159</u>	<u>192,521</u>	<u>464,680</u>

	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>

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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, 2026 and 2025:

				2026		
				Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$	292,441		147,233		439,674
Investment return:						
Investment income		7,521		4,233		11,754
Net realized gains		14,354		8,296		22,650
Net (depreciation)/appreciation – unrealized		25,696		14,919		40,615
Total investment return		47,571		27,448		75,019
Contributions		—		18,193		18,193
Transfers In/(Out)		(64,813)		5,936		(58,877)
Appropriation of endowment assets for expenditure		(3,040)		(6,289)		(9,329)
Endowment net assets, end of year	\$	272,159		192,521		464,680
				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	\$	292,441		147,233		439,674

Contributions to the endowment are recorded when cash is received; pledges are recorded as receivables separate from the endowment net assets. As of June 30, 2026 and 2025, the corpus amount of endowment investments was \$134,027 and \$110,324, respectively.

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(8) Land, Buildings, and Equipment

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

	<u>2026</u>	<u>2025</u>
Land	\$ 173,945	173,945
Buildings	1,273,102	1,234,799
Equipment	373,836	355,292
Construction in progress	<u>32,983</u>	<u>38,626</u>
	1,853,866	1,802,662
Less accumulated depreciation	<u>(731,168)</u>	<u>(663,210)</u>
Land, buildings and equipment, net of accumulated depreciation	<u>\$ 1,122,698</u>	<u>1,139,452</u>

For the years ended June 30, 2026 and 2025 depreciation expense amounted to \$78,564 and \$72,294, 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 is calculated based on the Treasury Constant Maturity in effect as of the date of the promise.

Unconditional pledge payments are expected to be received in the following periods:

Payments through June 30,		
2027	\$	105,758
2028		63,298
2029		61,219
2030		41,087
2031		78,145
Thereafter		<u>60</u>
		349,567
Less discount, net		<u>(30,175)</u>
Total pledges receivable, net		319,392
Add notes receivable		<u>2,985</u>
Total notes and pledges receivable, net	\$	<u><u>322,377</u></u>

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(10) Collaboration Agreement

On March 31, 2022, Fred Hutch and the University of Washington (UW) entered into the Restructuring and Enhanced Collaboration Agreement (Collaboration Agreement). Under terms of the agreement, 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 funds would flow from UWM to Fred Hutch. 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 \$77,742 and \$78,943 was accrued for the years ended June 30, 2026 and 2025, respectively.

UWM and Fred Hutch determine the final funds flow settlement 180 days after fiscal year-end. Upon finalization and mutual approval, the liability is adjusted to reflect the final expense. As of June 30, 2026 and 2025, Fred Hutch accrued a liability for collaborative arrangement of \$36,668 and \$39,698, respectively. These amounts are included in due to related parties pending final settlement.

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(11) Long-Term Debt

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

	<u>2026</u>	<u>2025</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 \$11,673	\$ 181,188	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	76,480	85,770
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 \$4,038	37,893	39,194
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 \$34,300	265,030	267,577
Taxable Bonds, Series 2020, (FHCRC) due in varying amounts through 2050 at a fixed interest rate	121,225	121,225
Notes payable assumed from the business combination with Seattle Proton Holdings in February 2021	<u>—</u>	<u>4,620</u>
	1,036,816	1,058,709
Less deferred financing costs	<u>(7,158)</u>	<u>(7,593)</u>
Long-term debt, net	<u>\$ 1,029,658</u>	<u>1,051,116</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 debt service coverage ratio of 1.10 times the annual debt service.

On February 4, 2025, Fred Hutch issued \$172,745 of Series 2025A Bonds (the 2025A Bonds) with a maturity date of March 1, 2045. The proceeds were used to refund the Series 2014 Bonds and the Series

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2022E Bonds and to pay certain issuance costs. The Series 2025A bonds have a fixed interest rate ranging from 4.25% to 5%. A bond premium of \$12,915 was recognized upon issuance of the 2025A Bonds and will be amortized based on the effective interest method through 2045. Deferred financing costs for the 2025A Bonds are amortized through their final maturity in 2045.

On June 30, 2022, Fred Hutch issued \$283,545 of Series 2022C, 2022D, 2022E Bonds and \$300,000 of Taxable Bonds, Series 2022. The proceeds were used to refinance a taxable bridge loan, fund general corporate purposes, and pay certain issuance costs. The Series 2022D Bonds have a fixed interest rate of 3.34% while the Taxable Bonds, Series 2022 has a fixed interest rate of 4.97%. The effective interest rate for the Series 2022C Bonds 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, Seattle Cancer Care Alliance (SCCA) 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) reimburse a portion of the costs of acquisition, construction, remodeling, renovating, and equipping certain health care facilities owned and operated by SCCA, (2) refund a portion of the Public Finance Authority Senior Taxable Revenue Bonds, Series 2018A (Seattle Proton Center, LLC), 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, SCCA borrowed the proceeds of the Washington Health Care Facility Authority's \$232,925 Revenue Bonds, Series 2020 (the 2020 Bonds). The Bonds were 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 SCCA (2) advance refund and defease all of the Washington Health Care Facilities Authority Revenue Bonds, Series 2010 (SCCA), (3) fund capitalized interest and (4) pay certain issuance costs incurred in connection with the issuance and sale 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 refund the Washington Health Care Facilities Authority Revenue Bonds, Series 2011A (Fred Hutchinson Cancer Research Center), fund general corporate purposes, and pay certain costs incurred in the issuance and sale of the 2020 Taxable Bonds. The 2020 Taxable Bonds were issued under a public bond placement.

As a result of the business combination with Seattle Proton Holdings and SCCA in February 2021, Fred Hutch assumed two notes payable. During the year ended June 30, 2026 Fred Hutch voluntarily repaid these two notes payable in full. The total principal repayment amounted to \$4,047. This repayment resulted in a loss on extinguishment of debt of \$380.

The remaining principal totaled \$0 and \$4,620 on June 30, 2026 and 2025, respectively. Accrued interest balances totaled \$0 and \$135 on June 30, 2026 and 2025, 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

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agreements, if certain financial ratios have been met, and the aggregate amount of all such payments does not exceed \$836 for any fiscal year.

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

2027	\$	15,260
2028		15,830
2029		16,420
2030		17,035
2031		17,675
Thereafter		<u>904,585</u>
		986,805
Plus unamortized net premiums		<u>42,853</u>
	\$	<u>1,029,658</u>

(12) Retirement Plan

Fred Hutch has a 403(b) defined contribution plan for its salaried employees. Employees are generally eligible to participate 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 years ended June 30, 2026 and 2025 were \$54,233 and \$46,694, 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 \$1,611 and \$1,761 as of June 30, 2026 and 2025, respectively. The reserve fund requirement as determined by actuarial means was \$2,129 and \$2,180 as of June 30, 2026 and 2025, 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.

(14) Leases

Fred Hutch has various operating leases. For the years ended June 30, 2026 and 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.

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The components of the lease cost for the years ended June 30, 2026 and 2025 were as follows:

	<u>2026</u>	<u>2025</u>
Fixed lease costs	\$ 23,441	25,864
Variable lease costs	<u>7,076</u>	<u>4,576</u>
Total lease costs	\$ <u>30,517</u>	<u>30,440</u>

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

	<u>2026</u>	<u>2025</u>
Weighted average remaining lease term in years:		
Operating lease	14.96	14.83
Finance lease	8.16	9.09
Weighted average discount rate:		
Operating lease	3.74%	3.70%
Finance lease	3.23%	3.23%

The cash paid for amounts included in lease costs was \$13,657 and \$15,343 for operating leases and \$8,014 and \$6,719 for financing leases during the years ended June 30, 2026 and 2025, respectively.

Maturities of lease liabilities under noncancelable leases as of June 30, 2026 are as follows:

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2027	\$ 13,522	7,261	20,783
2028	11,659	7,668	19,327
2029	8,660	9,040	17,700
2030	6,202	9,529	15,731
2031	5,758	9,815	15,573
Thereafter	<u>64,544</u>	<u>105,446</u>	<u>169,990</u>
Total undiscounted cash flows	110,345	148,759	259,104
Less imputed interest	<u>(29,879)</u>	<u>(26,130)</u>	<u>(56,009)</u>
Present value of lease liabilities	\$ <u>80,466</u>	<u>122,629</u>	<u>203,095</u>

On December 30, 2025, Fred Hutch entered into an amendment for one of its two building finance leases. The amendment will commence in November 2027, and the finance lease liability is expected to increase

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by approximately \$7,000. There were no real estate obligations for leases signed but not yet commenced as of June 30, 2025.

(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 of 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.

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 unknown 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 federal 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 not reasonably estimable.

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(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, 2026 and 2025:

	2026					
	Program services clinical	Program services research	Program services collaborative agreements	Management and general	Fundraising	Grand Total
Salaries, wages and benefits	\$ 343,197	424,703	—	111,995	22,775	902,670
Subawards	—	77,361	—	—	—	77,361
Purchased services	237,687	56,209	—	51,785	3,502	349,183
Collaborative arrangement	—	—	77,742	—	—	77,742
Supplies and pharmaceuticals	845,890	42,841	—	2,287	103	891,121
Rent, utilities and maintenance	47,159	32,110	—	12,402	1,007	92,678
Interest, depreciation and amortization	44,933	70,759	—	13,780	486	129,958
Other	24,280	32,401	12,635	51,183	6,514	127,013
Total operating expenses	\$ 1,543,146	736,384	90,377	243,432	34,387	2,647,726

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	2025					
	Program services clinical	Program services research	Program services collaborative agreements	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	30,382	20,156	37,526	7,650	120,296
Total operating expenses	\$ 1,348,065	703,760	99,099	246,115	31,651	2,428,690

(17) Related Party Transactions

Fred Hutch enters into transactions with the University of Washington, a related party, for the purchase of goods and services that support the operations of its 20-bed licensed hospital and ambulatory cancer care services. These arrangements leverage the related parties' existing infrastructure and are intended to promote operational efficiencies. The terms and costs of the arrangements are negotiated annually. The following table summarizes the impact of operational transactions between Fred Hutch and the University of Washington.

	2026					
	Service and other income	Research grants and contracts	Contributions	Total		
UW	\$ 25,323	12,282	2,499	40,104		
	Purchased services	Subawards	Supplies and Pharmaceuticals	Lease expense	Other	Total
UW	\$ 186,799	17,067	4	79	2	203,951

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		2025				
		<u>Service and other income</u>	<u>Research grants and contracts</u>	<u>Contributions</u>	<u>Total</u>	
UW	\$	25,383	14,231	120	39,734	
		<u>Purchased services</u>	<u>Subawards</u>	<u>Supplies and Pharmaceuticals</u>	<u>Lease expense</u>	<u>Other</u>
UW	\$	196,711	18,331	41	40	1,384
						216,507

Amounts due from and due to the University of Washington arising from the operational related party transactions described above are included in other assets and due to related parties, respectively. The balances as of June 30 are as follows:

		2026	
		<u>Due from related party</u>	<u>Due to related party</u>
UW	\$	7,183	26,798
		2025	
		<u>Due from related party</u>	<u>Due to related party</u>
UW	\$	5,612	30,574

See footnote (10) Collaborative Agreement for additional related party disclosures; the activity and liabilities described in this footnote, combined with those in Footnote 10, constitute the total due to related party balance presented on the Consolidated Statement of Financial Position.

(18) Service and Other Income

Service and other income includes revenue from noncore sources, including service agreements, intellectual property commercialization, related party transactions, professional services, core resources, rent, parking, and similar activities. Fred Hutch recognized \$109,527 and \$95,069 of service and other income for the years ended June 30, 2026 and 2025.

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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. Net patient services revenues were billed to the following payors for the years ended June 30, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Commercial	\$ 1,032,103	904,707
Medicare	724,233	596,688
Medicaid	76,748	70,234
Self-pay and others	<u>19,172</u>	<u>12,098</u>
Total Patient service revenue, net	<u>\$ 1,852,256</u>	<u>1,583,727</u>

For the years ended June 30, 2026 and 2025, 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.

(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 Centers 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.

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 \$7,494 and \$6,138 for the years ended June 30, 2026 and 2025, 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.

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,

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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. The percentage of outstanding patient accounts receivable by third party payor and patients are as follows as of June 30, 2026 and 2025:

	2026	2025
Patient accounts receivable:		
Commercial	48 %	50 %
Medicare	39	37
Medicaid	8	9
Self-pay and other	5	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 amount 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 credit worthiness of the swap counterparties. The fair value of the swap, recorded as deferred credits on cash flow hedges, was \$4,447 and \$5,767 as of June 30, 2026 and 2025, respectively.

(b) Collateral Posted with Swap Counterparty

The swap agreement contains 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. No collateral amounts were required to be posted as of June 30, 2026 and 2025.

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(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 contracts that obligate Fred Hutch to purchase ZAR on June 30, 2026 and 2025 were R40,000 (\$2,376) and R95,000 (\$5,076).

(22) *Subsequent Events*

Fred Hutch has evaluated subsequent events through October 9, 2026 the date the consolidated financial statements were issued and has included all necessary adjustments and disclosures.