### UNIVERSITY FACTS

#### STUDENTS

<table>
<thead>
<tr>
<th>Autumn Enrollment</th>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2009</th>
<th>FISCAL YEAR 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Academic Year</td>
<td>Academic Year</td>
<td>Academic Year</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>37,895</td>
<td>34,076</td>
<td>32,355</td>
</tr>
<tr>
<td>Graduate</td>
<td>13,177</td>
<td>11,453</td>
<td>10,591</td>
</tr>
<tr>
<td>Professional</td>
<td>2,000</td>
<td>1,847</td>
<td>1,803</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>53,072</strong></td>
<td><strong>47,376</strong></td>
<td><strong>44,749</strong></td>
</tr>
</tbody>
</table>


#### Number of Degrees Awarded

<table>
<thead>
<tr>
<th></th>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2009</th>
<th>FISCAL YEAR 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Academic Year</td>
<td>Academic Year</td>
<td>Academic Year</td>
</tr>
<tr>
<td>Bachelor’s</td>
<td>9,921</td>
<td>8,458</td>
<td>8,517</td>
</tr>
<tr>
<td>Master’s</td>
<td>3,925</td>
<td>2,988</td>
<td>2,797</td>
</tr>
<tr>
<td>Doctoral</td>
<td>762</td>
<td>686</td>
<td>530</td>
</tr>
<tr>
<td>Professional</td>
<td>563</td>
<td>495</td>
<td>475</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>15,171</strong></td>
<td><strong>12,627</strong></td>
<td><strong>12,319</strong></td>
</tr>
</tbody>
</table>

#### FACULTY

<table>
<thead>
<tr>
<th>FACULTY (Professorial, Instructional, Research)</th>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2009</th>
<th>FISCAL YEAR 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Academic Year</td>
<td>Academic Year</td>
<td>Academic Year</td>
</tr>
<tr>
<td>1</td>
<td>4,497</td>
<td>4,101</td>
<td>3,553</td>
</tr>
</tbody>
</table>

#### FACULTY AND STAFF

<table>
<thead>
<tr>
<th>FACULTY AND STAFF</th>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2009</th>
<th>FISCAL YEAR 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Academic Year</td>
<td>Academic Year</td>
<td>Academic Year</td>
</tr>
<tr>
<td>1</td>
<td>26,538</td>
<td>24,808</td>
<td>19,611</td>
</tr>
</tbody>
</table>

#### RESEARCH FUNDING – ALL SOURCES

<table>
<thead>
<tr>
<th>RESEARCH FUNDING – ALL SOURCES</th>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2009</th>
<th>FISCAL YEAR 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>in thousands of dollars</td>
<td>Academic Year</td>
<td>Academic Year</td>
<td>Academic Year</td>
</tr>
<tr>
<td>$1,385,000</td>
<td>$1,150,000</td>
<td>$954,000</td>
<td></td>
</tr>
</tbody>
</table>

#### SELECTED REVENUES

<table>
<thead>
<tr>
<th>SELECTED REVENUES</th>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2009</th>
<th>FISCAL YEAR 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>in thousands of dollars</td>
<td>Academic Year</td>
<td>Academic Year</td>
<td>Academic Year</td>
</tr>
<tr>
<td>Patient Service and Other Medical-Related Revenues</td>
<td>$2,042,029</td>
<td>$1,035,731</td>
<td>$720,692</td>
</tr>
<tr>
<td>Gifts, Grants, and Contracts</td>
<td>$1,392,561</td>
<td>$1,123,751</td>
<td>$957,863</td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>838,796</td>
<td>458,061</td>
<td>304,189</td>
</tr>
<tr>
<td>Auxiliary Enterprises and Other Revenues</td>
<td>556,191</td>
<td>323,632</td>
<td>248,931</td>
</tr>
<tr>
<td>Investment Income (loss)</td>
<td>480,645</td>
<td>(469,492)</td>
<td>219,831</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>262,146</td>
<td>384,810</td>
<td>309,618</td>
</tr>
</tbody>
</table>

#### SELECTED EXPENSES

<table>
<thead>
<tr>
<th>SELECTED EXPENSES</th>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2009</th>
<th>FISCAL YEAR 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>in thousands of dollars</td>
<td>Academic Year</td>
<td>Academic Year</td>
<td>Academic Year</td>
</tr>
<tr>
<td>Medical Related</td>
<td>$1,831,649</td>
<td>$949,186</td>
<td>$729,003</td>
</tr>
<tr>
<td>Instruction, Academic Support, and Student Services</td>
<td>$1,377,126</td>
<td>$1,207,061</td>
<td>$806,749</td>
</tr>
<tr>
<td>Research and Public Service</td>
<td>$807,863</td>
<td>$673,322</td>
<td>$576,607</td>
</tr>
<tr>
<td>Institutional Support and Physical Plant</td>
<td>$425,004</td>
<td>$321,020</td>
<td>$248,931</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>$285,561</td>
<td>$170,602</td>
<td>$124,020</td>
</tr>
</tbody>
</table>

#### CONSOLIDATED ENDOWMENT FUND

<table>
<thead>
<tr>
<th>CONSOLIDATED ENDOWMENT FUND</th>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2009</th>
<th>FISCAL YEAR 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>in thousands of dollars</td>
<td>Academic Year</td>
<td>Academic Year</td>
<td>Academic Year</td>
</tr>
<tr>
<td>$2,833,000</td>
<td>$1,649,000</td>
<td>$1,208,000</td>
<td></td>
</tr>
</tbody>
</table>

#### SQUARE FOOTAGE

<table>
<thead>
<tr>
<th>SQUARE FOOTAGE</th>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2009</th>
<th>FISCAL YEAR 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>in thousands of square feet</td>
<td>Academic Year</td>
<td>Academic Year</td>
<td>Academic Year</td>
</tr>
<tr>
<td>21,836</td>
<td>18,036</td>
<td>17,493</td>
<td></td>
</tr>
</tbody>
</table>

---

1. Headcount
2. Full time equivalents
3. Includes Valley Medical Center and Northwest Hospital (2014 only)
4. Net of scholarship allowances of $139,776,000 in 2014, $82,813,000 in 2009 and $46,519,000 in 2004
5. Stated at fair value
6. Gross square footage, all campuses
INDEPENDENT AUDITORS’ REPORT

The Board of Regents
University of Washington:

We have audited the accompanying financial statements of the business-type activities of the University of Washington (the University), an agency of the state of Washington, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, as well as its discretely presented component units as of and for the years ended June 30, 2014 and 2013.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

As discussed in note 1, the financial statements of the University of Washington, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University of Washington and its discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2014 and 2013, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative (“KPMG International”), a Swiss entity.
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Washington as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, and the financial position of its discretely presented component units as of June 30, 2014 and 2013, and the changes in their financial position for the years then ended in accordance with U.S. generally accepted accounting principles.

**Other Matter**

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Seattle, Washington
October 31, 2014

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative (“KPMG International”), a Swiss entity.
The discussion and analysis below provides an overview of the financial position and activities of the University of Washington (University) for the years ended June 30, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes that follow this section.

Financial Highlights for Fiscal Year 2014

The University recorded an increase in net position of $478 million in fiscal year 2014; $55 million more than the fiscal year 2013 increase of $423 million. This is primarily related to an increase in investment income of $140 million in fiscal year 2014, a result of increased investment market values during the year. The University adjusts the carrying value of investments to market value each year, with the change recorded as investment income or loss. Revenues from tuition and patient services continued to show growth during 2014, while revenues from research activities decreased slightly.

Key Financial Results for Fiscal Years 2014, 2013 and 2012

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenues</td>
<td>$3,914</td>
<td>$3,783</td>
<td>$3,522</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>4,384</td>
<td>4,121</td>
<td>3,911</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(470)</td>
<td>(338)</td>
<td>(389)</td>
</tr>
<tr>
<td>State appropriations</td>
<td>262</td>
<td>218</td>
<td>218</td>
</tr>
<tr>
<td>Investment income</td>
<td>481</td>
<td>341</td>
<td>34</td>
</tr>
<tr>
<td>Gifts</td>
<td>191</td>
<td>178</td>
<td>152</td>
</tr>
<tr>
<td>Other nonoperating revenue</td>
<td>14</td>
<td>24</td>
<td>(1)</td>
</tr>
<tr>
<td>(expense), net</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net position</td>
<td>478</td>
<td>423</td>
<td>14</td>
</tr>
<tr>
<td>Net position, beginning of year</td>
<td>6,165</td>
<td>5,742</td>
<td>5,728</td>
</tr>
<tr>
<td>Net position, end of year</td>
<td>$6,643</td>
<td>$6,165</td>
<td>$5,742</td>
</tr>
</tbody>
</table>

Operating revenues minus operating expenses typically result in an operating loss in the University’s financial statements. Nonoperating items, however, including state support, investment income, and gifts have typically enabled the University to reflect an increase in the net position, or “equity” each year. This surplus has been reinvested within the University to add a margin of educational excellence, upgrade the University’s facilities and provide a prudent reserve for contingencies such as the recent period of economic instability.

Economic Factors Affecting the Future

A number of contingencies face the University over the next few years. The slow economic recovery is a primary source of uncertainty.

The state of Washington, which provided 5% of the University’s total revenues in fiscal year 2014, continues to emerge from the recession. The effect of required increases to K-12 funding over the next several years, together with other economic factors such as slow growth and insufficient tax revenues, could result in added uncertainty for other state programs, including higher education.

The University’s 2015 general operating appropriation from the state (excluding amounts appropriated for specific purposes) is approximately $246 million, a slight decrease from 2014, which was $40 million higher than the prior year.

In exchange for biennial increases in state funding, the University committed to freezing tuition rates for resident undergraduate students. The University’s Board of Regents continues to have broad tuition and fee setting authority, including undergraduate resident tuition. State funding for capital appropriations continues to be under pressure, though some state bonding capacity was provided this biennium for critical renovation projects.

Since 2009, Federal ARRA funding for basic research and activities in the health sciences has totaled $368 million. The University has $15 million of unspent ARRA awards that will be expended in fiscal year 2015 or later. The federal budget remains under significant pressure; ongoing federal funding for research could be impacted.

Rising benefit costs, particularly for healthcare and pensions, continue to impact the University as well. Employer pension funding rates for the state pension increased 28% to 9.2% of covered salary during fiscal year 2014, and are likely to continue increasing over the next few years.

In March 2010, healthcare reform was passed by the U.S. Congress and signed into law by President Obama. While the major changes in coverage took effect beginning in 2014, there may be significant changes by the state and federal government to implementation plans for healthcare reform still occurring in this next fiscal year. Thus, the environment in which healthcare organizations currently operate is dynamic and uncertain.

Using the Financial Statements

The University’s financial statements include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the Notes to the Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. GASB standards require that financial statements be presented on a consolidated basis in order to focus on the University as a whole.

On January 1, 2010, the University affiliated with Northwest Hospital & Medical Center (Northwest Hospital). GASB standards require that this entity be presented as a discrete component unit; therefore, its financial position at June 30, 2014 and 2013, and the results of its operations for the years ended June 30, 2014 and 2013, are included with Valley Medical Center in a separate column for financial statement presentation purposes (see Note 1 and Note 18 to the Financial Statements).

On July 1, 2011, the University affiliated with Valley Medical Center, a Washington public hospital district which owns and operates a 321-bed full-service acute care hospital and 45 clinics located throughout southeast King County. Valley Medical Center
is also being reflected as a discrete component unit; therefore its financial position and the results of its operations are included with Northwest Hospital in a separate column for financial statement presentation purposes (see Note 1 and Note 18 to the Financial Statements).

The analysis presented below includes the consolidated balances of the University of Washington and its blended component units (see Note 1), but excludes the financial position and results of operations of its discrete component units (Northwest Hospital and Valley Medical Center), unless otherwise noted.

Financial Health

STATEMENTS OF NET POSITION
The Statements of Net Position present the financial condition of the University at the end of the last two fiscal years and report all assets, liabilities and deferrals of the University. A summarized comparison of the University's assets, liabilities, deferred outflows and net position as of June 30, 2014, 2013 and 2012, follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$ 1,537</td>
<td>$ 1,459</td>
<td>$ 1,161</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>4,045</td>
<td>3,976</td>
<td>3,618</td>
</tr>
<tr>
<td>Other</td>
<td>4,317</td>
<td>3,732</td>
<td>3,624</td>
</tr>
<tr>
<td>Total assets</td>
<td>9,899</td>
<td>9,167</td>
<td>8,403</td>
</tr>
<tr>
<td>Deferred Outflows</td>
<td>14</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Assets and Deferred Outflows</td>
<td>9,913</td>
<td>9,167</td>
<td>8,403</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>872</td>
<td>729</td>
<td>728</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>2,398</td>
<td>2,273</td>
<td>1,933</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,270</td>
<td>3,002</td>
<td>2,661</td>
</tr>
<tr>
<td>Net position</td>
<td><strong>$ 6,643</strong></td>
<td><strong>$ 6,165</strong></td>
<td><strong>$ 5,742</strong></td>
</tr>
</tbody>
</table>

The excess of current assets over current liabilities of $665 million in 2014 and $730 million in 2013 reflects the continuing ability of the University to meet its short-term obligations. Current assets consist primarily of cash, short-term investments and accounts receivable. Current assets increased $78 million in 2014, due primarily to a year-end receivable from Sound Transit for revenue to mitigate capital costs associated with relocating University research activities impacted by the Light Rail tunnel beneath campus. Current assets increased $298 million in 2013, due to increases in the value of cash and short-term investments. The short-term portion of the University's investment portfolio can fluctuate based upon changes in investment mix and the expected short-term needs for University funds.

Long-term investments, a component of noncurrent assets, increased $591 million during 2014 and $91 million during 2013, as a result of market value changes during each year for the University's investments. Realized and unrealized gains in fiscal year 2014 totaled $398 million, versus $264 million of realized and unrealized gains in 2013.

The difference between total assets and deferred outflows, and total liabilities and deferred inflows, is referred to as net position or “equity” and is one indicator of the current financial condition of the University. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

The University reports its “equity” in four categories:

- **Net Investment in Capital Assets** – This is the University’s total investment in capital assets, net of accumulated depreciation and amortization and outstanding debt obligations related to those capital assets;
- **Restricted Net Position**:
  - Nonexpendable net position, primarily endowments, consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but rather for investment purposes only;
  - Expendable net position consists of resources which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions placed by donors and/or other external parties;
- **Unrestricted Net Position** – This is all other funds available to the University for any purpose associated with its mission. Unrestricted net position is often internally designated for specific purposes.

The University's net position at June 30, 2014, 2013 and 2012 is summarized as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td><strong>$ 2,018</strong></td>
<td><strong>$ 2,038</strong></td>
<td><strong>$ 2,113</strong></td>
</tr>
<tr>
<td>Restricted:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonexpendable</td>
<td>1,257</td>
<td>1,183</td>
<td>1,116</td>
</tr>
<tr>
<td>Expendable</td>
<td>1,629</td>
<td>1,345</td>
<td>1,162</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,739</td>
<td>1,599</td>
<td>1,351</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td><strong>$ 6,643</strong></td>
<td><strong>$ 6,165</strong></td>
<td><strong>$ 5,742</strong></td>
</tr>
</tbody>
</table>

Net investment in capital assets decreased $20 million, or 1%, in 2014, and $75 million, or 4%, in 2013. This balance increases as debt is paid off or when the University funds fixed asset purchases without financing. This balance decreases as assets are depreciated.

Restricted nonexpendable net position increased $74 million, or 6%, in 2014, and $67 million, or 6%, in 2013. For both years the increase reflects the receipt of new endowment gifts, and the recovery of unrealized losses on underwater endowments due to increases in market values during the year.

Restricted expendable net position increased $284 million, or 21%, in 2014, and $183 million, or 16%, in 2013. This category is primarily affected by new operating and capital gifts, and earnings or losses on restricted investments, including endowments. The increase in market value for the Consolidated Endowment Fund was the main reason for the increase during both years.
Endowment and Other Investments

Investment returns provide an important source of revenue for the University’s programs. Among the funds invested by the University are endowments, operating reserves, life income trusts, annuities and gifts.

Endowed gifts supply permanent capital and an ongoing stream of current earnings to the University. Most endowments are commingled in the Consolidated Endowment Fund (CEF), a diversified investment fund. As in a mutual fund, each individual endowment maintains a separate identity and owns units in the fund.

The CEF has experienced considerable growth over the past 10 years due to new gifts and endowment returns. The number of individual endowments in the CEF has grown to 4,211 and the market value of the CEF has doubled, rising from $1.4 billion at June 30, 2005 to $2.8 billion at June 30, 2014.

The impact to program support has been substantial, with $783 million distributed over the past 10 years touching every part of the University. Programs supported by endowment returns include academic programs, scholarships, fellowships, professorships, chairs and research activities. Under the Board of Regents’ approved long-term spending policy for the CEF, quarterly distributions to programs are made based on an annual percentage rate of 4%, applied to the five-year rolling average of the CEF’s market valuation. An additional 1% is distributed to support fundraising and stewardship activities (0.80%) and investment management (0.20%). Similar to program distributions, the fee is based on the endowment’s five-year average market value.

Endowment portfolios are commonly managed around a core set of objectives focused on the need to provide support for endowed programs in perpetuity. The Board of Regents, in conjunction with the University of Washington Investment Committee (UWINCO), establishes the policy asset allocation judged to be most appropriate for the University from a long-term potential return and risk perspective. The policy asset allocation is reviewed annually for its continuing fit with the University’s risk profile and with consideration of the changing dynamics of the capital markets.

The CEF asset allocation includes two clearly defined categories of investments: those which facilitate growth or appreciation (Capital Appreciation), and those which preserve endowment values (Capital Preservation). At June 30, 2014, 75% of the CEF was invested in Capital Appreciation and 25% in Capital Preservation.

For the fiscal year ended June 30, 2014, the CEF earned an investment return of +15.8%, representing strong absolute performance but underperforming a passive blended benchmark (70% MSCI ACWI and 30% BC Gov’t Bond). Individual CEF strategy performance was mixed, but relative performance was most negatively impacted by Emerging Markets, which experienced another difficult year with geopolitical instability and slowing growth in China. Emerging Markets, however, have begun turning around and remain the top-performing asset class over the past decade. Intermediate-term returns for the CEF have improved substantially as the 2008-09 global financial crisis rolls off, resulting in a five-year average of +11.2%. Performance over the ten-year period remains solid, with the CEF returning an annual average of +8.0%.

Unaudited – see accompanying notes to basic financial statements
A portion of the University's operating funds are invested in the CEF. As of June 30, 2014, these funds comprise $669 million of the CEF market value.

Debt and Related Capital Improvements
The University's general revenue borrowing platform, established in 2003, has been used to fund buildings that support the educational, research and service missions of the institution. The University’s debt portfolio consists primarily of fixed rate debt, including General Revenue Bonds, Lease Revenue Bonds and state issued bonds, as well as variable rate debt such as commercial paper.

Credit ratings are a reflection of the University’s strength. During fiscal year 2014, the University was rated Aaa (the highest rating) by Moody’s Investors Service and AA+ (with a positive outlook) by Standard & Poor’s. These strong ratings carry substantial advantages for the University: continued and wider access to capital markets when the University issues debt, lower interest rates on bonds and the ability to negotiate favorable bond terms.

In September 2013, the University issued $146 million of General Revenue Bonds with an average coupon rate of 4.96%.

In January 2014, the University refunded Lease Revenue bonds with an average interest rate of 5.07%, with $29 million in tax-exempt bonds with an average interest rate of 4.37%.

During fiscal year 2014, debt-related capital expenditures included $63 million for the renovation and expansion of Husky Stadium, $52 million for the construction of new student housing and $38 million for the construction of a new academic building at the UW Bothell Campus.
Key projects substantially completed in 2014 include:

Major renovation of Husky Stadium, including demolition and relocation of the stadium’s original lower seating bowl and significant upgrades to other areas including a new south grandstand. The project also included development of a Football Operations Support Building, relocation of the track and other related improvements, and coordination with the construction for the Sound Transit Station and Tunnel.

New residence hall and apartments built as part of Phase 2 of the Housing Master Plan.

New academic building at the UW Bothell Campus which includes a mix of instructional spaces, laboratory facilities, faculty offices and support spaces for at least 600 new student FTEs.

During fiscal year 2013, debt-related capital expenditures included $147 million for the renovation and expansion of Husky Stadium, $116 million for construction of new student housing, $24 million for the expansion of UWMC, and $19 million for the renovation of the Husky Union Building.

One measure of the University’s ability to repay debt is the ratio of expendable financial resources to debt. The 2014 ratio of expendable financial resources to debt (as defined by Moody’s) shows that the University has sufficient expendable resources to pay its long-term debt obligations 1.6 times over.

The following table summarizes revenues from all sources for the years ended June 30, 2014, 2013 and 2012:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenues</td>
<td>$3,914</td>
<td>$3,783</td>
<td>$3,522</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>4,384</td>
<td>4,121</td>
<td>3,911</td>
</tr>
<tr>
<td>Nonoperating revenues, net of expenses</td>
<td>(470)</td>
<td>(338)</td>
<td>(389)</td>
</tr>
<tr>
<td>Other revenues</td>
<td>859</td>
<td>630</td>
<td>317</td>
</tr>
<tr>
<td>Increase in net position</td>
<td>478</td>
<td>423</td>
<td>14</td>
</tr>
<tr>
<td>Net position, beginning of year</td>
<td>6,165</td>
<td>5,742</td>
<td>5,728</td>
</tr>
<tr>
<td>Net position, end of year</td>
<td>$6,643</td>
<td>$6,165</td>
<td>$5,742</td>
</tr>
</tbody>
</table>

The University has a diversified revenue base. No single source generated more than 27% of the total fiscal year 2014 revenues of $5.0 billion.

The following chart shows the breakdown of sources of funds:

**Sources of Funds**

- **27%** Grants and contracts
- **24%** Patient services
- **5%** State funding for operations and capital expenditures
- **5%** Auxiliary enterprises
- **4%** Sales and services of educational departments
- **10%** Investment income
- **17%** Tuition and fees
- **4%** Other

Beginning in fiscal year 2014, UW Medicine information technology began operating as a self-sustaining activity of the University (ITS department). Capital and operating costs are being recorded centrally and recovered through user fees charged to the consumers.

---

2 The sum of Unrestricted Net Position and Restricted Expendable Net Position, divided by total capital lease obligations, bonds and notes payable outstanding. Includes Northwest Hospital and Valley Medical Center.
of technology resources, primarily UWMC and Harborview Medical Center (HMC). As a result, the University has recorded $60 million of user fees for services provided to external parties, primarily HMC, which are reflected as Auxiliary Enterprises revenue in fiscal year 2014.

Grant Revenue
The largest source of revenue (27%) continues to be grants and contracts. This revenue decreased $37 million, or 3% in 2014, compared to an increase of $11 million, or 1%, in 2013. Revenues generated by Federal ARRA research funding decreased to $12 million in fiscal year 2014, compared to $32 million in 2013, and contributed to the overall decrease in grant revenue.

Grants and contracts provide the opportunity for graduate and undergraduate students to work with nationally recognized faculty in research as part of their educational experience.

Grant and contract revenue is earned when direct expenditures (such as researchers’ compensation or purchases of goods and services) are made; therefore, there is little effect on the University’s operating margin as a result of this direct expense reimbursement process.

Facility and administrative (F&A) expenses necessary to support grants and contracts are reimbursed by sponsors, along with direct costs, by an indirect cost recovery. The current F&A, or indirect cost recovery, for research grants is approximately 29 cents on every direct expenditure dollar.

Primary Nongrant Funding Sources
The University relies primarily on student tuition and fees and state appropriations as revenue sources to support its nongrant funded educational operating expenses. State support for education increased during fiscal year 2014, but is still significantly below historical levels.

Operating Support for Instruction

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>State operating appropriations</td>
<td>$262</td>
<td>$218</td>
<td>$218</td>
</tr>
<tr>
<td>Operating Tuition and fees</td>
<td>594</td>
<td>547</td>
<td>547</td>
</tr>
<tr>
<td>Fees for self-sustaining educational programs</td>
<td>245</td>
<td>261</td>
<td>261</td>
</tr>
<tr>
<td>Total educational support</td>
<td>$1,101</td>
<td>$1,026</td>
<td>$989</td>
</tr>
</tbody>
</table>

Noncapital state appropriations are considered nonoperating revenue under GASB Statement No. 35, “Basic Financial Statements — and Management’s Discussion and Analysis — for Public Colleges and Universities,” and are reflected in the nonoperating section of the Statements of Revenues, Expenses and Changes in Net Position; however, they are used solely for operating purposes.

Tuition and fees, net of scholarship allowances, increased to $839 million in 2014, from $808 million in 2013 and $681 million in 2012. The increases were primarily due to increased enrollment in 2014 and 2013, and a 16% increase in average undergraduate resident tuition rates during 2013.

Tuition increases were partially offset by the increase in scholarships and fellowships, and scholarship allowances of $2 million in 2014, $36 million in 2013, and $49 million in 2012.

Self-sustaining educational programs (Fee-Supported Programs) include the following amounts for each of the fiscal years 2014, 2013 and 2012: UW Educational Outreach (the continuing education branch of the University), $96 million, $98 million and $85 million, respectively, summer quarter tuition $42 million, $48 million and $47 million, respectively, and for Business School and School of Medicine programs $45 million, $40 million and $38 million, respectively.

Patient Services-UW Medicine
The financial statements of the University include the operations of the School of Medicine, three hospitals, associated physicians and clinics, Airlift Northwest, and the University’s share of two joint ventures. These entities, together with Harborview Medical Center (not included in the University’s financial statements—see Footnote 13) comprise UW Medicine, an umbrella organization serving to coordinate these activities and promote quality healthcare in the Pacific Northwest and beyond, and to conduct cutting-edge medical research with worldwide benefit.

Patient care activities included in the University’s financial statements include:

**UW Medical Center** (UWMC) is a 450-bed hospital that provides comprehensive healthcare services to the Puget Sound community and patients from throughout the Pacific Northwest. UWMC also serves as the major clinical, teaching and research site for students and faculty in the Health Sciences at the University. Over 18,000 patients receive inpatient care at UWMC each year. Specialized inpatient care needs are met by the Cancer Center, the Regional Heart Center, the Neonatal Intensive Care Unit (NICU) and the Organ Transplantation program.

Strategic growth initiatives were implemented in fiscal year 2014 with the expansion of primary care and urgent care, the opening of the Eastside Specialty Center and other clinics, as well as continued progress on Phase 2 of the UW Medical Center Montlake Tower.

Fiscal year 2013 marked the completion of Phase 1 of the UW Medical Center Montlake Tower. This project included updating and expanding the NICU from 36 to 50 beds, adding an additional 30 Oncology beds as well as state of the art interventional radiology and hybrid operating and interventional procedure rooms.

**Valley Medical Center** (VMC) is a 321-bed acute care hospital and network of 45 clinics, treats nearly 17,000 inpatients per year, and is the oldest and largest public district hospital in the state of Washington. VMC joined UW Medicine in July 2011. VMC’s Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are presented in a discrete column together with NWH on the financial statements of the University.
Northwest Hospital & Medical Center (NWH) is a full-service medical facility with 281 beds, and treats approximately 10,000 inpatients per year. NWH joined UW Medicine in January 2010. NWH’s Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are presented in a discrete column together with VMC on the financial statements of the University.

UW Neighborhood Clinics (UWNC) is a network of primary-care clinics with nine neighborhood locations throughout the greater Seattle area, providing primary and selected specialty care with a staff of nearly 85 healthcare providers. The revenues, expenses, assets and liabilities of UWNC are included in the University’s financial statements.

UW Physicians (UWP) is the physician practice group for more than 1,800 faculty physicians and healthcare providers associated with UW Medicine. The revenues, expenses, assets and liabilities of UWP are included in the University’s financial statements.

Airlift Northwest is the preeminent provider of air medical transport services in the Pacific Northwest. The revenues, expenses, assets and liabilities of Airlift Northwest are included in the University’s financial statements.

The University is a participant in two joint ventures: Seattle Cancer Care Alliance and Children’s University Medical Group. The University’s share of these activities is reflected in the University’s financial statements.

In combination, these organizations (not including VMC and NWH) contributed $1,207 million in patient services revenue in fiscal year 2014, $1,162 million in fiscal year 2013 and $1,098 million in 2012. UWMC generated 77% of this revenue in 2014, 76% in 2013 and 77% in 2012. UWMC admissions were approximately 18,000 in 2014, a slight increase from 2013 which was a 1.1% decrease from 2012. Average patient length of stay, however, remained the same as in 2013 at 6.9 days, up from 6.7 days in 2012.

Considerable progress has been made in implementing the Epic Electronic Medical Record (EMR) system throughout UW Medicine, with over 85 specialty clinics completed in May 2014. This milestone allowed UW Medicine to qualify for Medicare and Medicaid financial incentives, avoid penalties, and improve the quality and safety of care for patients through more timely and complete access to their records. To further enhance patient safety, UW Medicine also implemented bar-coded electronic medication administration in all high risk inpatient units at UWMC.

Charity care decreased as a result of the Medicaid expansion and implementation of the Healthcare Exchanges effective January 1, 2014. The number of uninsured patients served at UW Medicine declined and was accompanied by an increase in Medicaid patients. VMC operating results were negatively impacted in fiscal year 2013 by expenses associated with implementation of the EMR, and a reduction in tax levy revenues.

Gifts, Endowments and Investment Revenues
Net investment returns for the years ended June 30, 2014, 2013 and 2012 consisted of the following:

(Use of Funds)

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$73</td>
<td>$71</td>
<td>$63</td>
</tr>
<tr>
<td>Metropolitan Tract net income</td>
<td>8</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Investment in Seattle Cancer Care Alliance</td>
<td>12</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Net appreciation (depreciation) of fair value of investments</td>
<td>398</td>
<td>264</td>
<td>(35)</td>
</tr>
<tr>
<td>Investment expenses</td>
<td>(10)</td>
<td>(8)</td>
<td>(8)</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td><strong>$481</strong></td>
<td><strong>$341</strong></td>
<td><strong>$34</strong></td>
</tr>
</tbody>
</table>

Net appreciation includes both realized and unrealized gains and losses. The unrealized gains, however, are not available until the underlying securities have been sold. Net investment income increased by $140 million in 2014, compared to an increase of $307 million in 2013. The change in realized and unrealized gains and losses was the major factor in the variance each year.

Donor support increased by $13 million, or 7%, to $191 million in 2014 from $178 million in 2013. Gifts are a key and necessary source of support for a variety of purposes including capital improvements, scholarships, research, and endowments for various academic and research positions.

Expenses
Two primary functions of the University, instruction and research, comprised 41% of total operating expenses. These dollars provided instruction to more than 53,000 students and funded 5,300 research awards. Medical-related expenses, such as those related to patient care, also continue to be one of the largest individual components.
A comparative summary of the University's expenses by functional classification (purpose for which the costs are incurred) for the years ended June 30, 2014, 2013 and 2012 follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational and general instruction</td>
<td>$1,037</td>
<td>$988</td>
<td>$936</td>
</tr>
<tr>
<td>Research</td>
<td>766</td>
<td>756</td>
<td>777</td>
</tr>
<tr>
<td>Public service</td>
<td>42</td>
<td>48</td>
<td>40</td>
</tr>
<tr>
<td>Academic support</td>
<td>297</td>
<td>261</td>
<td>248</td>
</tr>
<tr>
<td>Student services</td>
<td>43</td>
<td>36</td>
<td>37</td>
</tr>
<tr>
<td>Institutional support</td>
<td>224</td>
<td>201</td>
<td>192</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>201</td>
<td>207</td>
<td>174</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>138</td>
<td>141</td>
<td>108</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>286</td>
<td>204</td>
<td>195</td>
</tr>
<tr>
<td>Medical-related</td>
<td>1,042</td>
<td>999</td>
<td>961</td>
</tr>
<tr>
<td>Depreciation/amortization</td>
<td>308</td>
<td>280</td>
<td>243</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$4,384</td>
<td>$4,121</td>
<td>$3,911</td>
</tr>
</tbody>
</table>

Academic support increased $36 million, or 14%, during fiscal year 2014 due primarily to increased support of activities in the Schools of Medicine and Dentistry, and the College of the Environment. These costs include startup costs to establish new labs and hiring of new employees.

Auxiliary enterprises increased $82 million, or 40%, during fiscal year 2014 due primarily to the addition of ITS self-sustaining activities. Technology services provided to external parties, primarily HMC, during the year totaled $63 million, and are being recovered through offsetting user fees reflected in Other Auxiliary Enterprises revenue. Costs incurred by Intercollegiate Athletics for its football program, related to additional game day services and noncapital improvements made to Husky Stadium and the Husky Ballpark, also contributed to the increase during 2014.

Overall, the University's operating expenses increased by $263 million, or 6%, over 2013. Salaries expense increased $132 million, or 7% due to employee merit increases and the addition of ITS department salaries of $40 million. Benefits expense increased by $52 million, or 8%, due to increased salary expenditures together with a mandated increase to the University’s PERS pension contributions during the year. Purchased Services expense increased $45 million, or 7%, due in part to costs incurred by the School of Oceanography for research activities aboard the R/V Thompson, and to consulting fees associated with implementation of a new enterprise HR/payroll system. Depreciation expense increased by $28 million, or 10%, driven by several large capital additions that were placed into service during the year including renovations to Husky Stadium, new residence halls and apartments, and the new academic building on the UW Bothell campus.

In 2013, the University's operating expenses increased by $210 million, or 5%, over 2012. Salaries expense increased $55 million, or 3%, reflecting a modest increase in staffing. Benefits expense increased by $14 million, or 2%, offset slightly by a reduction in the University's healthcare contribution rate during the year. Purchased services increased $45 million, or 8%, driven by a $20 million increase in consulting fees incurred by UWMC in support of IT projects, $12 million increase in expenses related to subcontracts (primarily research related) and $7 million increase in non-capitalizable expenses for pollution remediation. Depreciation/amortization expense increased $37 million, or 15%, driven by several large capital additions that were placed into service during the year.

Operating Loss
The University’s operating loss increased to $470 million in 2014 from $338 million in 2013. The 2013 operating loss was a decrease from $389 million in 2012.

State appropriations are shown as nonoperating revenue, pursuant to GASB standards. If state appropriations were classified as operating revenue, the operating loss would be as follows for 2014, 2013 and 2012, respectively: $208 million, $120 million, and $170 million. The University continues to rely on nonoperating revenues such as gift revenues and investment income distributions, in addition to state appropriations, to fund its operations.

Operating Margin
Moody's measures the net result of revenue and expense activity by including several nonoperating revenues in the margin. The 2014 operating margin decreased to 1.5% from 3.7% in 2013. Operating margin calculations include an estimated return on the University’s investments rather than actual investment income. Therefore, variances in investment performance in a given year will not impact the operating margin.
## STATEMENTS OF NET POSITION

### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

#### CURRENT ASSETS:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents (Note 2)</td>
<td>$ 79,128</td>
<td>$ 78,206</td>
<td>$ 57,027</td>
<td>$ 53,349</td>
</tr>
<tr>
<td>Investments, Current Portion (Note 6)</td>
<td>785,435</td>
<td>769,607</td>
<td>13,324</td>
<td>23,666</td>
</tr>
<tr>
<td>Accounts Receivable (Net of Allowance of $73,372 and $77,553) (Note 5)</td>
<td>640,270</td>
<td>574,352</td>
<td>105,596</td>
<td>98,073</td>
</tr>
<tr>
<td>Inventories</td>
<td>28,361</td>
<td>31,658</td>
<td>9,397</td>
<td>9,466</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>4,189</td>
<td>5,227</td>
<td>36,532</td>
<td>40,734</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,537,383</td>
<td>1,459,050</td>
<td>221,876</td>
<td>225,288</td>
</tr>
</tbody>
</table>

#### NONCURRENT ASSETS:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit with State of Washington (Note 3)</td>
<td>57,383</td>
<td>58,392</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Investments, Net of Current Portion (Note 6)</td>
<td>3,959,384</td>
<td>3,368,726</td>
<td>69,903</td>
<td>79,775</td>
</tr>
<tr>
<td>Metropolitan Tract (Note 7)</td>
<td>112,570</td>
<td>112,461</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Student Loans Receivable (Net of Allowance of $8,431 and $8,158) (Note 4)</td>
<td>72,498</td>
<td>70,392</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other Noncurrent Assets</td>
<td>114,192</td>
<td>122,203</td>
<td>83,581</td>
<td>510,947</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>8,360,823</td>
<td>7,708,131</td>
<td>643,164</td>
<td>647,416</td>
</tr>
</tbody>
</table>

**Total Assets**                                                   | 9,898,206 | 9,167,181 | 865,040 | 872,704 |

#### DEFERRED OUTFLOWS OF RESOURCES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unamortized Loss on Bond Refunding</td>
<td>14,359</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Assets and Deferred Outflows of Resources</strong></td>
<td>$ 9,912,565</td>
<td>$ 9,167,181</td>
<td>$ 865,040</td>
<td>$ 872,704</td>
</tr>
</tbody>
</table>

### LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

#### CURRENT LIABILITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$ 163,212</td>
<td>$ 156,527</td>
<td>$ 26,399</td>
<td>$ 24,602</td>
</tr>
<tr>
<td>Accrued Liabilities</td>
<td>348,266</td>
<td>298,857</td>
<td>104,293</td>
<td>98,760</td>
</tr>
<tr>
<td>Commercial Paper (Note 11)</td>
<td>50,000</td>
<td>25,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Unearned Revenues</td>
<td>165,926</td>
<td>127,492</td>
<td>–</td>
<td>8,023</td>
</tr>
<tr>
<td>Funds Held for Others</td>
<td>34,975</td>
<td>30,206</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Long-term Liabilities, Current Portion (Notes 9-11)</td>
<td>109,591</td>
<td>91,332</td>
<td>12,414</td>
<td>12,662</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>871,970</td>
<td>729,414</td>
<td>143,106</td>
<td>144,047</td>
</tr>
</tbody>
</table>

#### NONCURRENT LIABILITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government Grants Refundable</td>
<td>52,426</td>
<td>49,555</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Long-term Liabilities, Net of Current Portion (Notes 9-11)</td>
<td>2,345,620</td>
<td>2,223,161</td>
<td>399,554</td>
<td>412,175</td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td>2,398,046</td>
<td>2,272,716</td>
<td>399,554</td>
<td>412,175</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>3,270,016</td>
<td>3,002,130</td>
<td>542,660</td>
<td>556,222</td>
</tr>
</tbody>
</table>

#### DEFERRED INFLOWS OF RESOURCES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>–</td>
<td>–</td>
<td>8,585</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Liabilities and Deferred Inflows of Resources</strong></td>
<td>3,270,016</td>
<td>3,002,130</td>
<td>551,245</td>
<td>556,222</td>
</tr>
</tbody>
</table>

### NET POSITION

#### Net Investment in Capital Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonexpendable</td>
<td>1,257,297</td>
<td>1,182,986</td>
<td>1,775</td>
<td>1,773</td>
</tr>
<tr>
<td>Expendable</td>
<td>1,628,532</td>
<td>1,344,643</td>
<td>8,511</td>
<td>8,537</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,738,643</td>
<td>1,598,927</td>
<td>218,709</td>
<td>212,950</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>6,642,549</td>
<td>6,165,051</td>
<td>313,795</td>
<td>316,482</td>
</tr>
</tbody>
</table>

**Total Liabilities, Deferred Inflows of Resources and Net Position** | $ 9,912,565 | $ 9,167,181 | $ 865,040 | $ 872,704 |

---

1 See Note 18
See accompanying notes to basic financial statements.
Dollars in thousands
### REVENUES

**OPERATING REVENUES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Tuition and Fees (Net of Scholarship Allowance of $139,776 and $135,354)</td>
<td>$838,796</td>
<td>$808,053</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Patient Services (Net of Provision for Uncollectible Accounts of $16,487 and $26,699)</td>
<td>1,206,918</td>
<td>1,162,389</td>
<td>752,980</td>
<td>741,581</td>
</tr>
<tr>
<td>Federal Grants and Contracts</td>
<td>1,020,052</td>
<td>1,057,829</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State and Local Grants and Contracts</td>
<td>82,787</td>
<td>93,891</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nongovernmental Grants and Contracts</td>
<td>172,652</td>
<td>158,998</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sales and Services of Educational Departments</td>
<td>212,592</td>
<td>198,320</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Auxiliary Enterprises:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing and Food Services</td>
<td>102,239</td>
<td>91,133</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sports Programs (Net of Scholarship Allowance of $6,745 and $6,301)</td>
<td>55,098</td>
<td>47,481</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Auxiliary Enterprises</td>
<td>103,227</td>
<td>45,861</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Medical-Related Revenue</td>
<td>36,575</td>
<td>28,593</td>
<td>45,556</td>
<td>38,888</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>83,035</td>
<td>90,372</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>3,913,971</td>
<td>3,782,920</td>
<td>798,536</td>
<td>780,469</td>
</tr>
</tbody>
</table>

**EXPENSES**

**OPERATING EXPENSES (NOTE 12):**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>2,026,646</td>
<td>1,894,510</td>
<td>349,967</td>
<td>339,083</td>
</tr>
<tr>
<td>Benefits</td>
<td>661,999</td>
<td>610,338</td>
<td>98,400</td>
<td>102,389</td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>138,309</td>
<td>140,897</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>53,128</td>
<td>55,068</td>
<td>8,639</td>
<td>8,769</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>419,262</td>
<td>395,251</td>
<td>135,963</td>
<td>129,762</td>
</tr>
<tr>
<td>Purchased Services</td>
<td>675,474</td>
<td>630,249</td>
<td>126,871</td>
<td>134,048</td>
</tr>
<tr>
<td>Depreciation/Amortization</td>
<td>308,190</td>
<td>280,099</td>
<td>51,018</td>
<td>52,028</td>
</tr>
<tr>
<td>Other</td>
<td>101,368</td>
<td>114,737</td>
<td>18,468</td>
<td>19,930</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>4,384,376</td>
<td>4,121,149</td>
<td>789,326</td>
<td>786,009</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>(470,405)</td>
<td>(338,229)</td>
<td>9,210</td>
<td>(5,540)</td>
</tr>
</tbody>
</table>

**NONOPERATING REVENUES (EXPENSES):**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>262,146</td>
<td>218,165</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gifts</td>
<td>117,071</td>
<td>101,823</td>
<td>112</td>
<td>224</td>
</tr>
<tr>
<td>Investment Income (Net of Investment Expense of $9,511 and $8,326)</td>
<td>480,645</td>
<td>341,241</td>
<td>7,390</td>
<td>7,519</td>
</tr>
<tr>
<td>Interest on Capital Asset-Related Debt</td>
<td>(9,535)</td>
<td>(5,200)</td>
<td>(26,731)</td>
<td>(22,620)</td>
</tr>
<tr>
<td>Pell Grant Revenue</td>
<td>47,370</td>
<td>45,655</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property Tax Revenue</td>
<td>-</td>
<td>-</td>
<td>16,342</td>
<td>16,254</td>
</tr>
<tr>
<td>Other Nonoperating Revenues (Expenses)</td>
<td>42,816</td>
<td>(19,780)</td>
<td>(9,038)</td>
<td>(2,937)</td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues (Expenses)</strong></td>
<td>858,513</td>
<td>629,904</td>
<td>(11,925)</td>
<td>(1,560)</td>
</tr>
<tr>
<td>Income (Loss) Before Other Revenues</td>
<td>388,108</td>
<td>291,675</td>
<td>(2,715)</td>
<td>(7,100)</td>
</tr>
<tr>
<td>Capital Appropriations</td>
<td>7,693</td>
<td>47,123</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital Grants, Gifts and Other</td>
<td>26,156</td>
<td>26,763</td>
<td>26</td>
<td>8,340</td>
</tr>
<tr>
<td>Gifts to Permanent Endowments</td>
<td>55,541</td>
<td>57,882</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Other Revenues</strong></td>
<td>89,390</td>
<td>131,768</td>
<td>28</td>
<td>8,340</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Net Position</strong></td>
<td>477,498</td>
<td>423,443</td>
<td>(2,687)</td>
<td>1,240</td>
</tr>
</tbody>
</table>

**NET POSITION**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position – Beginning of Year</td>
<td>6,165,051</td>
<td>5,741,608</td>
<td>316,482</td>
<td>315,242</td>
</tr>
<tr>
<td><strong>Net Position – End of Year</strong></td>
<td>$6,642,549</td>
<td>$6,165,051</td>
<td>$313,795</td>
<td>$316,482</td>
</tr>
</tbody>
</table>

---

1 See Note 18

See accompanying notes to basic financial statements.

Dollars in thousands
### STATEMENTS OF CASH FLOWS

#### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Tuition and Fees</td>
<td>$833,239</td>
<td>$754,131</td>
</tr>
<tr>
<td>Patient Services</td>
<td>1,194,212</td>
<td>1,148,870</td>
</tr>
<tr>
<td>Grants and Contracts</td>
<td>1,277,865</td>
<td>1,276,506</td>
</tr>
<tr>
<td>Payments to Suppliers</td>
<td>(410,053)</td>
<td>(395,116)</td>
</tr>
<tr>
<td>Payments for Utilities</td>
<td>(53,401)</td>
<td>(55,051)</td>
</tr>
<tr>
<td>Purchased Services</td>
<td>(671,535)</td>
<td>(630,170)</td>
</tr>
<tr>
<td>Other Operating Disbursements</td>
<td>(103,259)</td>
<td>(114,101)</td>
</tr>
<tr>
<td>Payments to Employees</td>
<td>(2,020,124)</td>
<td>(1,892,338)</td>
</tr>
<tr>
<td>Payments for Benefits</td>
<td>(593,696)</td>
<td>(543,668)</td>
</tr>
<tr>
<td>Payments for Scholarships and Fellowships</td>
<td>(138,309)</td>
<td>(140,897)</td>
</tr>
<tr>
<td>Loans Issued to Students</td>
<td>(22,846)</td>
<td>(24,716)</td>
</tr>
<tr>
<td>Collection of Loans to Students</td>
<td>23,609</td>
<td>23,520</td>
</tr>
<tr>
<td>Other Medical Center Receipts</td>
<td>36,575</td>
<td>28,593</td>
</tr>
<tr>
<td>Auxiliary Enterprise Receipts</td>
<td>275,284</td>
<td>191,732</td>
</tr>
<tr>
<td>Sales and Services of Educational Departments</td>
<td>208,774</td>
<td>196,927</td>
</tr>
<tr>
<td>Receipts from Outside Affiliated Agencies</td>
<td>696,509</td>
<td>670,350</td>
</tr>
<tr>
<td>Disbursements to Outside Affiliated Agencies</td>
<td>690,165</td>
<td>(688,722)</td>
</tr>
<tr>
<td>Other Receipts</td>
<td>92,984</td>
<td>78,870</td>
</tr>
<tr>
<td><strong>Net Cash Used by Operating Activities</strong></td>
<td><strong>(64,337)</strong></td>
<td><strong>(115,280)</strong></td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>262,852</td>
<td>237,068</td>
</tr>
<tr>
<td>Gifts and Grants for Other Than Capital Purposes</td>
<td>47,370</td>
<td>45,655</td>
</tr>
<tr>
<td>Private Gifts</td>
<td>96,579</td>
<td>90,323</td>
</tr>
<tr>
<td>Permanent Endowment Receipts</td>
<td>55,541</td>
<td>57,882</td>
</tr>
<tr>
<td>Direct Lending Receipts</td>
<td>243,000</td>
<td>240,350</td>
</tr>
<tr>
<td>Direct Lending Disbursements</td>
<td>(244,254)</td>
<td>(238,113)</td>
</tr>
<tr>
<td>Other</td>
<td>161</td>
<td>(19,571)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Noncapital Financing Activities</strong></td>
<td><strong>461,249</strong></td>
<td><strong>413,594</strong></td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from Capital Debt</td>
<td>213,976</td>
<td>438,385</td>
</tr>
<tr>
<td>State Capital Appropriations</td>
<td>5,848</td>
<td>47,504</td>
</tr>
<tr>
<td>Capital Grants and Gifts Received</td>
<td>25,678</td>
<td>24,818</td>
</tr>
<tr>
<td>Acquisition and Construction of Capital Assets</td>
<td>(365,724)</td>
<td>(624,457)</td>
</tr>
<tr>
<td>Principal Payments on Capital-Related Debt and Leases</td>
<td>(103,012)</td>
<td>(142,933)</td>
</tr>
<tr>
<td>Interest Payments on Capital-Related Debt and Leases</td>
<td>(99,785)</td>
<td>(67,939)</td>
</tr>
<tr>
<td>Other</td>
<td>4,008</td>
<td>(7,207)</td>
</tr>
<tr>
<td><strong>Net Cash Used by Capital and Related Financing Activities</strong></td>
<td><strong>(319,011)</strong></td>
<td><strong>(331,829)</strong></td>
</tr>
</tbody>
</table>
### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from Sales of Investments</td>
<td>4,667,652</td>
<td>6,408,348</td>
</tr>
<tr>
<td>Disbursements for Purchases of Investments</td>
<td>(4,815,180)</td>
<td>(6,417,393)</td>
</tr>
<tr>
<td>Investment Income</td>
<td>70,549</td>
<td>70,608</td>
</tr>
<tr>
<td>Net Cash (Used By) Provided by Investing Activities</td>
<td>(76,979)</td>
<td>61,563</td>
</tr>
</tbody>
</table>

### Net Increase in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents-Beginning of the Year</td>
<td>78,206</td>
<td>50,158</td>
</tr>
<tr>
<td>Cash and Cash Equivalents-End of the Year</td>
<td>$79,128</td>
<td>$78,206</td>
</tr>
</tbody>
</table>

### Reconciliation of Operating Loss to Net Cash Used by Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Loss</td>
<td>$(470,405)</td>
<td>$(338,229)</td>
</tr>
<tr>
<td>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation/Amortization Expense</td>
<td>308,190</td>
<td>280,099</td>
</tr>
<tr>
<td>Changes in Assets and Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(13,734)</td>
<td>(78,751)</td>
</tr>
<tr>
<td>Inventories</td>
<td>3,297</td>
<td>18</td>
</tr>
<tr>
<td>Other Assets</td>
<td>(6,401)</td>
<td>(10,872)</td>
</tr>
<tr>
<td>Accounts Payable and Accrued Liabilities</td>
<td>21,256</td>
<td>(1,098)</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>38,434</td>
<td>(27,466)</td>
</tr>
<tr>
<td>Other Long-Term Liabilities</td>
<td>54,261</td>
<td>62,218</td>
</tr>
<tr>
<td>U.S. Governmental Grants Refundable</td>
<td>2,871</td>
<td>154</td>
</tr>
<tr>
<td>Loans to Students</td>
<td>(2,106)</td>
<td>(1,353)</td>
</tr>
<tr>
<td>Net Cash Used by Operating Activities</td>
<td>$(64,337)</td>
<td>$(115,280)</td>
</tr>
</tbody>
</table>

### Noncash Investing, Capital and Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Gifts</td>
<td>$20,492</td>
<td>$11,500</td>
</tr>
<tr>
<td>Increase in Interest in Seattle Cancer Care Alliance</td>
<td>12,239</td>
<td>7,508</td>
</tr>
<tr>
<td>Net Unrealized Gains</td>
<td>339,155</td>
<td>191,376</td>
</tr>
<tr>
<td>Total Noncash Investing, Capital and Financing Activities</td>
<td>$371,886</td>
<td>$210,384</td>
</tr>
</tbody>
</table>

See accompanying notes to basic financial statements.
Dollars in thousands
NOTES TO FINANCIAL STATEMENTS

NOTE 1:

Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY

The University of Washington (University) an agency of the state of Washington, is governed by a 10-member Board of Regents appointed by the governor and confirmed by the state senate.

The financial statements include the individual schools, colleges and departments of the University, the University of Washington Medical Center (UWMC), Portage Bay Insurance (a wholly-owned subsidiary of the University) and certain affiliated operations determined to be a part of the University’s financial reporting entity. Affiliated organizations are evaluated for inclusion in the reporting entity as component units based on the significance of their relationship with the University.

Harborview Medical Center (HMC), a component unit of King County, Washington, is a related party to the University, but is not reflected as part of the financial reporting entity (Note 13).

Component units are legally separate organizations for which the University is financially accountable. These entities may be reported in the financial statements of the primary government in one of two ways: the component units’ amounts may be blended with the amounts reported by the primary government, or they may be shown in a separate column, depending on the application of the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus.” All component units of the University meet the criteria for blending except Northwest Hospital & Medical Center and Valley Medical Center. They are reported discretely, since they have separate boards of directors and they do not provide services exclusively to the University.

BLENDED COMPONENT UNITS

The following entities are presented as blended component units because they provide service exclusively or almost exclusively to the University. Financial information for these affiliated organizations is available from their respective administrative offices.

The Association of University Physicians dba UW Physicians (UWP) was established as a tax-exempt entity for the exclusive benefit of the University of Washington School of Medicine (UWSOM). UWP employs UWSOM faculty and bills and collects for their clinical services as an agent for UWSOM. UWP had operating revenues of $174,283,000 and $173,566,000 in 2014 and 2013, respectively.

UW Medicine Neighborhood Clinics (Neighborhood Clinics) was established as a tax-exempt entity for the benefit of UWSOM, UWP and its affiliated medical centers, HMC and UWMC, exclusively for charitable, scientific and educational purposes. The Neighborhood Clinics were organized to coordinate and develop patient care in a community clinical setting. They enhance the academic environment of UWSOM by providing additional sites of primary care practice and training for faculty, residents and students. Neighborhood Clinics had operating revenues of $14,596,000 and $14,614,000 in 2014 and 2013, respectively.

Real estate financing entities

The entities listed below are nonprofit corporations that were formed to acquire, construct or renovate certain real properties for the benefit of the University in fulfilling its educational, medical or scientific research missions. These entities issue tax-exempt and taxable bonds to finance these activities.

- TSB Properties
- Washington Biomedical Research Properties I
- Washington Biomedical Research Properties II
- Washington Biomedical Research Facilities 3

These entities collectively have net capital assets of $309,075,000 and $323,144,000 in 2014 and 2013, respectively. They collectively have long-term debt of $314,400,000 and $333,450,000 in 2014 and 2013, respectively. These amounts are reflected in the University’s financial statements.

DISCRETELY PRESENTED COMPONENT UNITS

Northwest Hospital

UW Medicine and Northwest Hospital & Medical Center (Northwest Hospital), a 281-bed full-service acute care hospital, entered into an affiliation agreement effective January 1, 2010. The University is the sole corporate member of Northwest Hospital. The audited financial statements of Northwest Hospital are available by contacting Northwest Hospital & Medical Center at 1550 N. 115th Street, Seattle, Washington 98133-9733, Mailstop X-112.

Valley Medical Center

UW Medicine and Public Hospital District No. 1 of King County, a Washington public hospital district dba Valley Medical Center, entered into a strategic alliance, effective July 1, 2011. Valley Medical Center owns and operates a 321-bed full-service acute care hospital and 45 clinics located throughout southeast King County. The audited financial statements of Valley Medical Center are available by contacting Valley Medical Center at 400 S. 43rd Street, Renton, Washington 98055 or online at the following address: www.valleymed.org/about-us/financial-information/.

JOINT VENTURES

The University, together with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center established the Seattle Cancer Care Alliance (SCCA). The SCCA integrates the cancer research, teaching and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Each member of the SCCA has a one-third interest. The University accounts for its interest in SCCA under the equity method and has recorded $101,385,000 and $89,146,000 in Other Assets, together with $12,239,000 and $7,508,000 in Investment Income, for its share of the joint venture in 2014 and 2013, respectively.

The University and Seattle Children’s Hospital established Children's University Medical Group (CUMG) to assist the organizations in carrying out their pediatric patient care, charitable, educational,
and scientific missions. CUMG employs UWSOM faculty physicians, and bills and collects for their services as an agent for UWSOM. The University records revenue from CUMG based on the income distribution plan effective December 31, 2008. The University’s patient services receivable (Note 5) includes amounts due from CUMG of $20,818,000 and $17,937,000 in 2014 and 2013, respectively.

CHANGES IN REPORTING ENTITY
In fiscal year 2013, the University paid the remaining outstanding principal balance on the Twenty-Fifth Avenue Properties Student Housing Revenue Bonds, 2002, and title to the property known as Nordheim Court was passed to the University. The entity that issued the leased-backed bonds, Twenty-Fifth Avenue Properties, was dissolved and is no longer a component unit of the University.

BASIS OF ACCOUNTING
The financial statements of the University have been prepared in accordance with GASB Statement No. 34, “Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments,” as amended by GASB Statement No. 35, “Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities.” The University is reporting as a special-purpose government engaged in business-type activities (BTA). In accordance with BTA reporting, the University presents management’s discussion and analysis, statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to the financial statements. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency transactions have been eliminated. The University reports capital assets net of accumulated depreciation/amortization (as applicable), and reports depreciation/amortization expense in the Statements of Revenues, Expenses and Changes in Net Position.

On July 1, 2012, the University adopted GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance contained in accounting pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors, which was issued on or before November 30, 1989 and which does not conflict with or contradict existing GASB pronouncements. Implementation of this Statement resulted in a minor footnote revision.

On July 1, 2012, the University adopted GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This Statement provides guidance for accounting and financial reporting of deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, “Elements of Financial Statements,” introduced and defined these elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards did not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities.

This Statement amended the net asset reporting requirements of Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as Net Position, rather than Net Assets. The impact to the University from implementation of this Statement is limited to renaming the Balance Sheets as “Statements of Net Position,” and renaming the title of Net Assets to “Net Position” on the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position.

On July 1, 2013, the University adopted GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.” This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as expenses or revenues, certain items that were previously reported as assets and liabilities. The impact to the University from implementation of this Statement is that all prior bond issuance costs were written off in the Statements of Revenues, Expenses and Changes in Net Position as interest on Capital Asset-Related Debt in the fiscal year ending June 30, 2014. In addition, all prior losses on refunding of bonds were reported as Deferred Outflows of Resources, and property tax revenues related to Valley Medical Center were reported as Deferred Inflows of Resources, as of June 30, 2014.

On July 1, 2013, the University adopted GASB Statement No. 66, “Technical Corrections — 2012 — an amendment of GASB Statements No. 10 and No. 62.” This Statement amends previously issued GASB statements to resolve conflicting guidance. There was no impact to the financial statements of the University as a result of implementing this Statement.

On July 1, 2013, the University adopted GASB Statement No. 67, “Financial Reporting for Pension Plans.” This Statement replaces the requirements of Statements No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,” and No. 50, “Pension Disclosures,” as they relate to pension plans that are administered through trusts that meet certain criteria. Implementation of this Statement required the University to reflect a minor additional disclosure related to the University of
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Washington Retirement Plan, a defined contribution pension plan. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts, such as the University of Washington Supplemental Retirement Plan (Note 15). On July 1, 2013, the University adopted GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. The University has not extended or received any nonexchange financial guarantees as of the years ended June 30, 2014 or 2013, therefore there was no impact to the financial statements of the University as a result of implementing this Statement.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In June 2012, the GASB approved Statement No. 68, “Accounting and Financial Reporting for Pensions,” which will take effect in the fiscal year ending June 30, 2015. This Statement requires governments providing defined benefit pensions to their employees to recognize their long-term obligation for pension benefits as a liability for the first time, along with the associated assets which have been set aside to fund the plan. Since the University participates in several cost sharing pension plans which are administered by the state of Washington Department of Retirement Systems (DRS), this statement will require the University to recognize its proportionate share of the statewide net pension liability for each of the plans in which it participates. The Statement also eliminates the method of amortizing the liability balances over several years, and instead requires full recognition of the net liability upon implementation. The requirement of GASB Statement No. 68 to record a proportionate share of retirement plan unfunded pension liabilities may negatively impact the University’s future unrestricted net position. The University is currently analyzing the impact of this Statement. Information regarding the funding status of the DRS retirement plans can be found in their financial report (Note 15).

In January 2013, the GASB issued Statement No. 69, “Government Combinations and Disposals of Government Operations.” This Statement requires disclosures to be made about government combinations and disposals of government operations, in order to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for financial reporting periods beginning in fiscal year 2015, and will be applied on a prospective basis when applicable.

In November 2013, the GASB issued Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date,” an amendment of GASB Statement No. 68, “Accounting and Financial Reporting for Pensions.” The purpose of this Statement is to address application of the transition provisions of GASB Statement No. 68 and clarify guidance regarding contributions made by a state or local government employer, or nonemployer contributing entity, to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The University is currently analyzing the impact of this statement.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles involves management estimates that affect the reported amounts of assets, liabilities, deferrals, revenues and expenses during the reporting period. Actual results could differ from those estimates; however, in each case, the University believes that allowances, reserves and estimates of expected liabilities are adequate.

The University estimates the pollution remediation liability by reviewing the current status of known polluted sites and developing estimates of cleanup costs. These estimates are subject to change due to improvements in technology, inflation, changes in the scope of work, and the pursuit of reimbursement from other responsible parties.

Allowances (Notes 4 and 5) are estimates based on the historical experience of the University and current economic circumstances with respect to the collectability of accounts and loans receivable.

The liability and expense related to the University of Washington Supplemental Retirement Plan (Note 15) are based on an actuarial valuation prepared by an external actuary. The results of an actuarial valuation are estimates based on historical data, actuarial assumptions, and the demographics of the employee population.

The self-insurance reserve (Note 16) is estimated through an externally prepared actuarial calculation using individual case-basis valuations and statistical analyses. Considerable variability is inherent in such estimates.

OTHER ACCOUNTING POLICIES

Investments. Investments are generally carried at fair value. The fair value of all debt and equity securities with a readily determinable fair value is based on quotations from major securities exchanges. Alternative investments, which are not readily marketable, are carried at the estimated fair values provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Investments under long-term strategies are considered noncurrent. Short-term investments consist primarily of cash equivalents and fixed income vehicles which management has identified as available to meet the day-to-day obligations of the University.

Inventories. Inventories are carried at the lower of cost or market value. Consumable inventories, consisting of expendable materials and supplies, are generally valued using the weighted-average method. Merchandise inventories are generally valued using the first-in, first-out method.
Capital Assets. Land, buildings, equipment, library books and intangibles are stated at cost or, if acquired by gift, at fair market value at the date of the gift. Additions, replacements, major repairs and renovations are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, 5 to 7 years for equipment, 15 years for library books, and 3 to 15 years for intangibles.

Interest incurred on capital asset-related debt was $103,065,000 and $76,371,000 during 2014 and 2013, respectively. Of those costs, the University capitalized $11,530,000 and $19,171,000 during 2014 and 2013, respectively.

Unearned Revenues. Unearned revenues occur when funds have been collected in advance of when the associated goods or services have been provided, such as advance ticket sales, summer quarter tuition and unspent cash advances on certain grants.

Split-Interest Agreements. Under these agreements, donors/beneficiaries receive income for their lifetime or for a stated term, with the University receiving the remaining principal. The University records an asset related to these agreements at fair market value at year-end. The University also records a liability related to the split-interest agreements equal to the present value of expected future distributions; the discount rates applied range from 2.5% to 8.0%.

Compensated Absences. University employees accrue annual leave at rates based on length of service, and for sick leave at the rate of one day per month. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees’ normal compensation rate for any balance that exceeds 480 hours, or for any balance upon retirement or death. Annual leave accrued at June 30, 2014 and 2013 was $86,780,000 and $86,902,000, respectively, and is included in Accrued Liabilities. Sick leave accrued as of June 30, 2014 and 2013 was $36,174,000 and $35,878,000, respectively, and is included in Long-Term Liabilities.

Scholarship Allowances. Tuition and Fees are reported net of scholarship allowances that are applied to students’ accounts from external funds that have already been recognized as revenue by the University. Student aid paid directly to students is reported as scholarships and fellowships expense.

Net Patient Services Revenue. Patient services revenue is recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Revenue related to charity care provided to patients is excluded from net patient services revenue.

Third-party payor agreements with Medicare and Medicaid that provide for payments at amounts different from established rates are part of contractual adjustments to net patient services revenue. Medicare reimbursements are based on a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated final settlements for open years are based on preliminary cost findings after giving consideration to interim payments that have been received on behalf of patients covered under these programs.

For more information about UWMC operations and financial results, see their audited financial statements which are contained in the latest Bondholders Report at http://f2.washington.edu/treasury/alm/investor-relations.

Charity Care. Based on established rates, the charges for patient services forgone as a result of charity care during the years ended June 30, 2014 and 2013 were $66,632,000 and $81,347,000, respectively.

The cost of charity care is estimated based on the ratio of the cost of providing care to the value of the charges forgone. Applying this ratio results in an estimated cost of charity care and uncompensated care of $25,782,000 and $32,000,000 in fiscal years 2014 and 2013, respectively.

State Appropriations. The state of Washington appropriates funds to the University on both annual and biennial bases. These revenues are reported as non-operating revenues in the Statements of Revenues, Expenses and Changes in Net Position.

Operating Activities. The University’s policy for reporting operating activities in the Statements of Revenues, Expenses and Changes in Net Position is to include activities that generally result from exchange transactions. Examples of exchange transactions are payments received for tuition, patient services or grants under which services are performed, as well as payments made for the delivery of goods or services. Certain other significant revenue streams used for operations, such as state appropriations, Pell grants, gifts and investment income are recorded as nonoperating revenues, as prescribed by GASB Statement No. 35.

Net Position. The University’s net position is classified as follows:

Net investment in capital assets: The University’s investments in capital assets, less accumulated depreciation/amortization, net of outstanding debt obligations related to capital assets;

Restricted net position – nonexpendable: Net position subject to externally-imposed requirements that it be maintained permanently by the University, including permanent endowment funds and annuity and life income trusts;

Restricted net position – expendable: Net position that the University is obligated to spend in accordance with restrictions imposed by external parties, generally scholarships, research and department uses;

Unrestricted net position: Net position not subject to externally imposed restrictions and which may be designated for specific purposes by management, or the Board of Regents.

Tax Exemption. The University, as an agency of the state of Washington, is not subject to federal income tax pursuant to Section 115 of the Internal Revenue Code, except for tax on unrelated business income.
NOTE 2:
Cash and Cash Equivalents
Cash includes cash on hand, petty cash and bank deposits. Most cash, except for cash held at the University and cash held in foreign banks, is covered by the Federal Deposit Insurance Corporation (FDIC), or if greater than FDIC limits, by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

At June 30, 2014 and 2013, bank balances of $83,311,000 and $89,742,000, respectively, were either insured by the FDIC or collateralized under the PDPC.

NOTE 3:
Deposit with State of Washington
State law requires the University to deposit certain funds with the state treasurer, who holds and invests the funds. The deposits include amounts held for the University’s permanent land grant funds, the University of Washington building fee collected from students and certain general obligation bond reserve funds. The fair value of these funds approximates the carrying value.

NOTE 4:
Student Loans Receivable
Net student loans of $72,498,000 and $70,392,000 at June 30, 2014 and 2013, respectively, consist of $57,870,000 and $54,943,000 from federal programs and $14,628,000 and $15,449,000 from University programs at June 30, 2014 and 2013 respectively. Interest income from student loans for the years ended June 30, 2014 and 2013 was $1,427,000 and $1,331,000, respectively. Student Loans Receivable for the years ended June 30, 2014 and 2013 was $1,564,368,000 compared to $1,427,000,000 at June 30, 2013. The majority of the endowed funds are invested in the Invested Funds Pool, and cash balances into the Invested Funds Pool. At June 30, 2014, the Invested Funds Pool totaled $1,606,152,000 compared to $1,564,368,000 at June 30, 2013. The Invested Funds Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $668,863,000 on June 30, 2014 and $468,187,000 on June 30, 2013. By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Initial deposits received 2% in fiscal years 2014 and 2013. The Invested Funds Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $668,863,000 on June 30, 2014 and $468,187,000 on June 30, 2013. By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Initial deposits received 2% in fiscal years 2014 and 2013. Endowment operating and gift accounts received 3% in both fiscal years 2014 and 2013 with the distributions directed to the University. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefitting all University departments.

NOTE 5:
Accounts Receivable
The major components of accounts receivable as of June 30, 2014 and 2013 were:

<table>
<thead>
<tr>
<th>Component</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>PATIENT SERVICES, NET</td>
<td>$296,016</td>
<td>$285,378</td>
</tr>
<tr>
<td>GRANTS AND CONTRACTS</td>
<td>186,215</td>
<td>189,134</td>
</tr>
<tr>
<td>SALES AND SERVICES</td>
<td>27,263</td>
<td>23,444</td>
</tr>
<tr>
<td>TUITION</td>
<td>14,751</td>
<td>15,004</td>
</tr>
<tr>
<td>DUE FROM OTHER AGENCIES</td>
<td>84,241</td>
<td>42,649</td>
</tr>
<tr>
<td>ROYALTIES</td>
<td>27,017</td>
<td>25,201</td>
</tr>
<tr>
<td>INVESTMENTS</td>
<td>45,053</td>
<td>37,308</td>
</tr>
<tr>
<td>STATE APPROPRIATIONS</td>
<td>6,502</td>
<td>5,364</td>
</tr>
<tr>
<td>OTHER</td>
<td>26,584</td>
<td>28,423</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>713,642</td>
<td>651,905</td>
</tr>
<tr>
<td>LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS</td>
<td>(73,372)</td>
<td>(77,553)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$640,270</td>
<td>$574,352</td>
</tr>
</tbody>
</table>

NOTE 6:
Investments

INVESTMENTS - GENERAL
The Board of Regents of the University of Washington is responsible for the management of the University’s investments. The Board of Regents establishes investment policy, which is carried out by the Chief Investment Officer. The University of Washington Investment Committee, comprised of board members and investment professionals, advises on matters relating to the management of the University’s investment portfolios. The composition of the carrying amounts of investments by type as of June 30, 2014 and 2013 is listed in Table 1.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH EQUIVALENTS</td>
<td>$16,957</td>
<td>$256,781</td>
</tr>
<tr>
<td>FIXED INCOME</td>
<td>1,972,553</td>
<td>1,655,711</td>
</tr>
<tr>
<td>EQUITY</td>
<td>1,672,262</td>
<td>1,287,084</td>
</tr>
<tr>
<td>NON-MARKETABLE ALTERNATIVES*</td>
<td>349,778</td>
<td>362,632</td>
</tr>
<tr>
<td>ABSOLUTE RETURN*</td>
<td>509,476</td>
<td>404,416</td>
</tr>
<tr>
<td>REAL ASSETS*</td>
<td>219,009</td>
<td>165,792</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td>4,724</td>
<td>5,917</td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENTS</strong></td>
<td>$4,744,819</td>
<td>$4,138,333</td>
</tr>
</tbody>
</table>

* Investment type includes private and other illiquid investments held in the Consolidated Endowment Fund

INVESTMENT POOLS
The University combines most short-term cash balances into the Invested Funds Pool. At June 30, 2014, the Invested Funds Pool totaled $1,606,152,000 compared to $1,564,368,000 at June 30, 2013. The Invested Funds Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $668,863,000 on June 30, 2014 and $468,187,000 on June 30, 2013. By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Initial deposits received 2% in fiscal years 2014 and 2013. Endowment operating and gift accounts received 3% in both fiscal years 2014 and 2013 with the distributions directed to the University. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefitting all University departments.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value, the net deficiency from the original gift value is $4,676,000 and $18,297,000 at June 30, 2014 and 2013, respectively.

Funds in irrevocable trusts managed by trustees other than the University are not...
reported in the financial statements. The fair value of these funds was $111,831,000 at June 30, 2014 compared to $49,575,000 at June 30, 2013. The increase in the fair value is largely due to a $58,000,000 estate gift received in fiscal year 2014. Income received from these trusts, which is included in Investment Income, was $2,297,000 for the year ended June 30, 2014 and $2,224,000 for the year ended June 30, 2013. Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $58,702,000 and $72,750,000 in 2014 and 2013, respectively, from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the years ended June 30, 2014 and 2013 was $397,857,000 and $264,126,000, respectively.

DERIVATIVES
The University’s investment policies allow investing in various derivative instruments, including futures, swaps and forwards, to manage exposures within or across the portfolio and to improve the portfolio’s risk/return profile. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price. Total return swaps involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value. The fair value balances and notional amounts of investment derivative instruments outstanding at June 30, 2014 and 2013, categorized by type, are as follows:

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2014 or 2013. No derivative instruments have been reclassified from a hedging instrument to an investment instrument.

Details on foreign currency derivatives are disclosed under Foreign Exchange Risk.

INTEREST RATE RISK
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed-income manager is assigned a maximum boundary for duration as compared to the manager’s relevant benchmark index. The goal is to allow ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University’s fixed income portfolio was 1.91 and 2.95 years at June 30, 2014 and 2013, respectively.

CREDIT RISK
Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations or that negative perceptions of the issuer’s ability to make these payments will cause prices to decline. Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The University Investment Policies limit fixed income exposure to investment grade assets. The Investment Policy for the Inv.

FUNDING COMMITMENTS
The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2014 and 2013, the University had outstanding commitments to fund alternative investments of $262,852,000 and $191,669,000, respectively. These commitments are expected to be called over a multi-year time frame. The University believes it has adequate liquidity and funding sources to meet these obligations.

<p>| TABLE 2 – INVESTMENT DERIVATIVES (Dollars in thousands) |</p>
<table>
<thead>
<tr>
<th>Notional Amount</th>
<th>Fair Value as of June 30</th>
<th>Changes in Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FUTURES CONTRACTS</td>
<td>$18,049</td>
<td>$18,815</td>
</tr>
<tr>
<td>INVESTMENTS</td>
<td>$34,462</td>
<td>$34,278</td>
</tr>
<tr>
<td>INVESTMENT INCOME</td>
<td>766</td>
<td>184</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS  (CONTINUED)

Duration and credit risk figures at June 30, 2014 and 2013 exclude $49,348,000 and $53,541,000, respectively, of fixed income securities held outside the CEF and the Invested Funds Pool. These amounts make up 2.48% and 2.80%, respectively, of the University’s fixed income investments (including cash equivalents), and are not included in the duration figures detailed in Table 3.

The composition of the fixed income securities at June 30, 2014 and 2013, along with credit quality and effective duration measures is summarized as follows:

| TABLE 3 – FIXED INCOME: CREDIT QUALITY AND EFFECTIVE DURATION  (Dollars in thousands) |
|-----------------------------------------------|---------------------------------------------|
| **2014**                                       |                                             |
| Investments                                   | U.S. Government | Investment Grade* | Non-Investment Grade | Not Rated | Total | Duration (in years) |
| U.S. TREASURIES                               | $877,812        | $ –               | $ –                  | $ –       | $877,812 | 1.94                  |
| U.S. GOVERNMENT AGENCY                        | 597,761         | –                 | –                    | –         | 597,761  | 1.91                  |
| MORTGAGE BACKED                               | –               | 103,105           | 93,889               | –         | 196,994  | 2.20                  |
| ASSET BACKED                                  | –               | 178,075           | 8,495                | 1,281     | 187,851  | 0.94                  |
| CORPORATE AND OTHER                           | –               | 79,745            | 549                  | –         | 79,744   | 3.03                  |
| TOTAL                                        | $1,475,573      | $360,375          | $102,933             | $1,281    | $1,940,162 |1.91                  |
| **2013**                                       |                                             |
| Investments                                   | U.S. Government | Investment Grade* | Non-Investment Grade | Not Rated | Total | Duration (in years) |
| U.S. TREASURIES                               | $730,492        | $ –               | $ –                  | $ –       | $730,492 | 2.42                  |
| U.S. GOVERNMENT AGENCY                        | 661,159         | –                 | –                    | –         | 661,159  | 3.41                  |
| MORTGAGE BACKED                               | –               | 98,779            | 94,196               | 9,067     | 202,042  | 4.33                  |
| ASSET BACKED                                  | –               | 164,394           | 9,743                | 3,908     | 178,045  | 2.44                  |
| CORPORATE AND OTHER                           | –               | 86,585            | –                    | 628       | 87,213   | 2.51                  |
| TOTAL                                        | $1,391,651      | $349,758          | $103,939             | $13,603   | $1,858,951 |2.95                  |

* Investment Grade securities are those that are rated BBB and higher by Standard and Poor's or Baa and higher by Moody’s.

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University’s investment policies permit investments in international equity and other asset classes, which can include foreign currency exposure. The University also enters into foreign currency forward contracts, futures contracts, and options to manage the foreign currency exposure. The University held non-U.S. denominated securities at June 30, 2014 and 2013 of $1,029,318,000 and $771,070,000, respectively.

| TABLE 4 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY  (Dollars in thousands) |
|-----------------------------------------------|---------------------------------------------|
| **June 30, 2014**                             | **June 30, 2013**                           |
| EURO (EUR)                                    | $156,509                                   | $114,213                               |
| CHINESE RENMINBI (RMB)                        | 126,848                                    | 73,109                                  |
| INDIAN RUPEE (INR)                            | 100,451                                    | 65,686                                  |
| JAPANESE YEN (JPY)                            | 65,017                                     | 45,735                                  |
| BRAZILIAN REAL (BRL)                          | 56,611                                     | 47,956                                  |
| RUSSIAN RUBLE (RUB)                           | 56,517                                     | 47,302                                  |
| BRITISH POUND (GBP)                           | 54,281                                     | 51,193                                  |
| HONG KONG DOLLAR (HKD)                        | 50,663                                     | 24,285                                  |
| SOUTH KOREAN WON (KRW)                        | 49,150                                     | 29,477                                  |
| CANADIAN DOLLAR (CAD)                         | 41,888                                     | 27,109                                  |
| SWISS FRANC (CHF)                             | 39,100                                     | 36,888                                  |
| TAIWANESE DOLLAR (TWD)                        | 30,894                                     | 23,796                                  |
| PHILIPPINE PESO (PHP)                         | 18,974                                     | 22,737                                  |
| INDONESIA RUPIAH (IDR)                        | 178,851                                    | 19,301                                  |
| REMAINING CURRENCIES                          | 146,883                                    | 142,283                                 |
| TOTAL                                        | $1,029,318                                  | $771,070                                |
NOTE 7:
Metropolitan Tract

The Metropolitan Tract, located in downtown Seattle, comprises approximately 11 acres of developed property including office space, retail space, parking and a luxury hotel. This land was the original site of the University from 1861 until 1895 when the University moved to its present location. Since the early 1900s, the Metropolitan Tract has been leased by the University to entities responsible for developing and operating the property.

On July 18, 1953, the Board of Regents of the University and the entity now known as Unico Properties, LLC entered into a lease agreement for office, retail and parking facilities which will expire in November 2040. The hotel was operated as the Four Seasons Olympic Hotel until July 31, 2003. On August 1, 2003, the remaining lease term was assigned to LHCS Hotel Holding (2002) LLC. The hotel was renamed the Fairmont Olympic Hotel and is now managed by Fairmont Hotels & Resorts.

The balances as of June 30, 2014 and 2013 represent operating assets, net of liabilities, and land, buildings and improvements stated at appraised value as of November 1, 1954. The balances also include subsequent capital additions and improvements at cost, less retirements and accumulated depreciation of $155,342,000 and $146,350,000, respectively, and are net of the outstanding balance of the associated commercial paper or line of credit.

In June 2014, the Metropolitan Tract credit line balance of $8,500,000 was refinanced through the University’s commercial paper program (Note 11).

On September 20, 2013, the University exercised its option to terminate its lease with Unico for the Cobb Building, effective November 1, 2014. On October 28, 2014, the University issued $34,000,000 in short-term commercial paper, to buy out the leasehold of the Cobb Building and take possession of certain leasehold improvements.

The University has entered into an agreement with Wright Runstad & Company to operate the Rainier Tower and Rainier Square commencing November 1, 2014. In addition, Wright Runstad will undertake pre-development activities relating to the redevelopment of Rainier Square. The University has plans to ground lease the property to Wright Runstad if and when certain development milestones are met. On November 1, 2014, the University selected Unico Properties, LLC to manage the remaining properties in the Metropolitan Tract.

NOTE 8:
Capital Assets

Capital asset activity for the two-year period ended June 30, 2014 is summarized as follows:

(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LAND</td>
<td>$ 117,614</td>
<td>$ 9,793</td>
<td>$ 2,019</td>
<td>$ 125,388</td>
<td>$ 1,407</td>
<td>$ –</td>
<td>$ 126,795</td>
</tr>
<tr>
<td>INFRASTRUCTURE</td>
<td>184,027</td>
<td>9,975</td>
<td>–</td>
<td>194,002</td>
<td>–</td>
<td>194,002</td>
<td></td>
</tr>
<tr>
<td>BUILDINGS</td>
<td>3,966,688</td>
<td>735,071</td>
<td>14,510</td>
<td>4,687,249</td>
<td>579,650</td>
<td>21,914</td>
<td>5,244,985</td>
</tr>
<tr>
<td>FURNITURE, FIXTURES AND EQUIPMENT</td>
<td>1,153,102</td>
<td>120,700</td>
<td>69,633</td>
<td>1,204,169</td>
<td>101,865</td>
<td>82,223</td>
<td>1,223,811</td>
</tr>
<tr>
<td>LIBRARY MATERIALS</td>
<td>304,768</td>
<td>12,481</td>
<td>1,645</td>
<td>315,604</td>
<td>11,767</td>
<td>1,708</td>
<td>325,663</td>
</tr>
<tr>
<td>CAPITALIZED COLLECTIONS</td>
<td>5,751</td>
<td>1,134</td>
<td>–</td>
<td>6,885</td>
<td>208</td>
<td>–</td>
<td>7,093</td>
</tr>
<tr>
<td>INTANGIBLES</td>
<td>67,444</td>
<td>5,663</td>
<td>–</td>
<td>73,107</td>
<td>11,991</td>
<td>–</td>
<td>25,412</td>
</tr>
<tr>
<td>CONSTRUCTION IN PROGRESS</td>
<td>720,928</td>
<td>253,342</td>
<td>–</td>
<td>467,586</td>
<td>(341,016)</td>
<td>4,874</td>
<td>121,696</td>
</tr>
<tr>
<td>INTANGIBLES IN PROCESS</td>
<td>6,528</td>
<td>6,893</td>
<td>–</td>
<td>13,421</td>
<td>11,991</td>
<td>–</td>
<td>25,412</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,526,850</td>
<td>648,368</td>
<td>87,807</td>
<td>7,087,411</td>
<td>398,232</td>
<td>110,867</td>
<td>7,374,776</td>
</tr>
</tbody>
</table>

LESS ACCUMULATED DEPRECIATION/ AMORTIZATION:

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>INFRASTRUCTURE</td>
<td>86,287</td>
<td>4,566</td>
<td>–</td>
<td>90,853</td>
<td>4,498</td>
<td>–</td>
<td>95,351</td>
</tr>
<tr>
<td>BUILDINGS</td>
<td>1,634,334</td>
<td>157,299</td>
<td>9,137</td>
<td>1,782,496</td>
<td>175,424</td>
<td>11,261</td>
<td>1,946,659</td>
</tr>
<tr>
<td>FURNITURE, FIXTURES AND EQUIPMENT</td>
<td>925,175</td>
<td>93,621</td>
<td>66,762</td>
<td>952,034</td>
<td>107,910</td>
<td>77,150</td>
<td>982,794</td>
</tr>
<tr>
<td>LIBRARY MATERIALS</td>
<td>215,917</td>
<td>14,861</td>
<td>1,187</td>
<td>229,581</td>
<td>10,749</td>
<td>1,253</td>
<td>239,087</td>
</tr>
<tr>
<td>INTANGIBLES</td>
<td>46,728</td>
<td>9,752</td>
<td>–</td>
<td>56,480</td>
<td>9,609</td>
<td>–</td>
<td>66,089</td>
</tr>
<tr>
<td>TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION</td>
<td>2,908,441</td>
<td>280,099</td>
<td>77,086</td>
<td>3,111,454</td>
<td>308,190</td>
<td>89,864</td>
<td>3,329,980</td>
</tr>
</tbody>
</table>

CAPITAL ASSETS, NET $ 3,618,409 $ 368,269 $ 10,721 $ 3,975,957 $ 90,042 $ 21,203 $ 4,044,796
NOTE 9: Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the two-year period ended June 30, 2014 is summarized as follows:

(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>BONDS PAYABLE:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Obligation Bonds</td>
<td>$ 194,614</td>
<td>$ 11,435</td>
<td>$ 26,110</td>
<td>$ 179,939</td>
<td>$ –</td>
<td>$ 14,895</td>
<td>$ 165,044</td>
<td>$ 14,895</td>
<td>$ 15,460</td>
</tr>
<tr>
<td>Revenue Bonds</td>
<td>$ 1,380,665</td>
<td>$ 299,425</td>
<td>$ 19,975</td>
<td>$ 1,660,115</td>
<td>$ 175,405</td>
<td>$ 70,665</td>
<td>$ 1,764,855</td>
<td>$ 40,900</td>
<td>$ 38,945</td>
</tr>
<tr>
<td>Unamortized Premium on Bonds</td>
<td>$ 80,705</td>
<td>$ 32,558</td>
<td>$ 11,642</td>
<td>$ 101,621</td>
<td>$ 10,342</td>
<td>$ 10,507</td>
<td>$ 101,456</td>
<td>$ 8,153</td>
<td>$ 10,658</td>
</tr>
<tr>
<td><strong>Total Bonds Payable</strong></td>
<td>$ 1,655,984</td>
<td>$ 343,418</td>
<td>$ 57,727</td>
<td>$ 1,941,675</td>
<td>$ 185,747</td>
<td>$ 96,067</td>
<td>$ 2,031,355</td>
<td>$ 63,948</td>
<td>$ 65,063</td>
</tr>
<tr>
<td><strong>NOTES PAYABLE AND CAPITAL LEASES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes Payable &amp; Other – Capital Asset</td>
<td>$ 29,800</td>
<td>$ 3,337</td>
<td>$ 6,784</td>
<td>$ 26,353</td>
<td>$ 352</td>
<td>$ 2,697</td>
<td>$ 24,008</td>
<td>$ 2,671</td>
<td>$ 2,800</td>
</tr>
<tr>
<td>Notes Payable &amp; Other – Noncapital Asset</td>
<td>$ 967</td>
<td>$ 419</td>
<td>$ 208</td>
<td>$ 1,178</td>
<td>$ 644</td>
<td>$ –</td>
<td>$ 1,822</td>
<td>$ 387</td>
<td>$ 1,568</td>
</tr>
<tr>
<td>Capital Lease Obligations</td>
<td>$ 8,620</td>
<td>$ 16,629</td>
<td>$ 3,422</td>
<td>$ 21,827</td>
<td>$ 4,248</td>
<td>$ –</td>
<td>$ 20,457</td>
<td>$ 4,724</td>
<td>$ 4,640</td>
</tr>
<tr>
<td><strong>Total Notes Payable and Capital Leases</strong></td>
<td>$ 39,387</td>
<td>$ 20,385</td>
<td>$ 10,414</td>
<td>$ 49,358</td>
<td>$ 3,874</td>
<td>$ 6,945</td>
<td>$ 46,287</td>
<td>$ 7,782</td>
<td>$ 9,008</td>
</tr>
<tr>
<td><strong>OTHER LONG-TERM LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations under split-interest agreements</td>
<td>$ 30,227</td>
<td>$ 1,354</td>
<td>$ 79</td>
<td>$ 31,502</td>
<td>$ 5,182</td>
<td>$ –</td>
<td>$ 36,684</td>
<td>$ 799</td>
<td>$ 41</td>
</tr>
<tr>
<td>Pollution Remediation Liability (Note 1)</td>
<td>$ 6,000</td>
<td>$ 7,000</td>
<td>–</td>
<td>$ 13,000</td>
<td>$ 9,000</td>
<td>–</td>
<td>$ 22,000</td>
<td>$ –</td>
<td>$ 3,400</td>
</tr>
<tr>
<td>Due to related party (Note 13)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Self-insurance (Note 16)</td>
<td>$ 62,919</td>
<td>$ 28,605</td>
<td>$ 11,816</td>
<td>$ 79,708</td>
<td>$ 26,175</td>
<td>$ 67,450</td>
<td>$ 11,914</td>
<td>$ 18,995</td>
<td>$ –</td>
</tr>
<tr>
<td>Net Pension Obligation (Note 15)</td>
<td>$ 127,465</td>
<td>$ 38,550</td>
<td>$ 2,643</td>
<td>$ 163,372</td>
<td>$ 38,550</td>
<td>$ 3,027</td>
<td>$ 198,895</td>
<td>$ 2,341</td>
<td>$ 2,834</td>
</tr>
<tr>
<td><strong>Total Other Liabilities</strong></td>
<td>$ 261,241</td>
<td>$ 81,351</td>
<td>$ 19,132</td>
<td>$ 323,460</td>
<td>$ 88,218</td>
<td>$ 34,109</td>
<td>$ 377,569</td>
<td>$ 19,602</td>
<td>$ 35,520</td>
</tr>
<tr>
<td><strong>Total Long-Term Liabilities</strong></td>
<td>$ 1,956,612</td>
<td>$ 445,154</td>
<td>$ 87,273</td>
<td>$ 2,314,493</td>
<td>$ 277,819</td>
<td>$ 137,121</td>
<td>$ 2,455,211</td>
<td>$ 91,332</td>
<td>$ 109,591</td>
</tr>
</tbody>
</table>

DISCRETE COMPONENT UNITS

Long-term liability activity for the two-year period ended June 30, 2014 is summarized as follows:

(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VALLEY MEDICAL CENTER</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited Tax General Obligation Bonds</td>
<td>$ 255,462</td>
<td>–</td>
<td>$ 5,892</td>
<td>$ 249,570</td>
<td>–</td>
<td>$ 5,182</td>
<td>$ 243,503</td>
<td>$ 6,145</td>
<td>$ 6,320</td>
</tr>
<tr>
<td>Revenue Bonds</td>
<td>$ 21,388</td>
<td>–</td>
<td>$ 1,230</td>
<td>$ 20,158</td>
<td>–</td>
<td>$ 1,300</td>
<td>$ 18,858</td>
<td>$ 1,520</td>
<td>$ 1,585</td>
</tr>
<tr>
<td>Build America Bonds</td>
<td>$ 61,155</td>
<td>–</td>
<td>$ 1,537</td>
<td>$ 61,654</td>
<td>–</td>
<td>$ 3,209</td>
<td>$ 16,854</td>
<td>$ 1,625</td>
<td>$ 1,175</td>
</tr>
<tr>
<td>Notes Payable &amp; Other</td>
<td>$ 1,865</td>
<td>–</td>
<td>$ 765</td>
<td>$ 1,100</td>
<td>$ 1,251</td>
<td>$ 944</td>
<td>$ 1,407</td>
<td>$ 772</td>
<td>$ 534</td>
</tr>
<tr>
<td><strong>Total Long-Term Liabilities</strong></td>
<td>$ 339,870</td>
<td>–</td>
<td>$ 7,887</td>
<td>$ 331,983</td>
<td>$ 1,251</td>
<td>$ 8,311</td>
<td>$ 324,923</td>
<td>$ 8,437</td>
<td>$ 8,439</td>
</tr>
</tbody>
</table>

**NORTHWEST HOSPITAL**

Revenue Bonds                        | $ 78,000                 | –                    | $ 2,000    | $ 76,000                 | –                    | $ 2,600    | $ 73,400                 | $ 2,600              | $ 2,800              |
Notes Payable & Capital Leases        | $ 18,391                 | –                    | $ 1,537    | $ 16,854                 | –                    | $ 3,209    | $ 13,645                 | $ 1,625              | $ 1,175              |
**Total Long-Term Liabilities**       | $ 96,391                 | –                    | $ 3,537    | $ 92,854                 | –                    | $ 5,809    | $ 87,045                 | $ 4,225              | $ 3,975              |
NOTE 10:

Leases
Future minimum lease payments under capital leases, and the present value of the net minimum lease payments, as of June 30, 2014, are as follows:

**CAPITAL LEASES**

<table>
<thead>
<tr>
<th>Year</th>
<th>Equipment Future Payments</th>
<th>Real Estate Future Payments</th>
<th>Total Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$5,109</td>
<td>9,987</td>
<td>15,096</td>
</tr>
<tr>
<td>2016</td>
<td>3,839</td>
<td>9,987</td>
<td>13,826</td>
</tr>
<tr>
<td>2017</td>
<td>3,432</td>
<td>9,987</td>
<td>13,419</td>
</tr>
<tr>
<td>2018</td>
<td>2,113</td>
<td>9,987</td>
<td>12,099</td>
</tr>
<tr>
<td>2019</td>
<td>1,627</td>
<td>9,987</td>
<td>11,614</td>
</tr>
<tr>
<td>THEREAFTER</td>
<td>6,096</td>
<td></td>
<td>6,096</td>
</tr>
<tr>
<td>TOTAL MINIMUM LEASE PAYMENTS</td>
<td>$22,216</td>
<td></td>
<td>$22,216</td>
</tr>
<tr>
<td>LESS: AMOUNT REPRESENTING INTEREST COSTS</td>
<td></td>
<td></td>
<td>1,759</td>
</tr>
<tr>
<td>PRESENT VALUE OF MINIMUM PAYMENTS</td>
<td>$20,457</td>
<td></td>
<td>$20,457</td>
</tr>
</tbody>
</table>

Buildings and equipment under capital leases were as follows:

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>Balance at June 30, 2012</th>
<th>Additions</th>
<th>Retirements</th>
<th>Balance at June 30, 2013</th>
<th>Additions</th>
<th>Retirements</th>
<th>Balance at June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUIPMENT</td>
<td>$29,062</td>
<td>16,630</td>
<td>14,989</td>
<td>$30,703</td>
<td>2,878</td>
<td>702</td>
<td>$32,879</td>
</tr>
<tr>
<td>REAL ESTATE</td>
<td>9,987</td>
<td></td>
<td>9,987</td>
<td>9,987</td>
<td></td>
<td></td>
<td>9,987</td>
</tr>
<tr>
<td>TOTAL</td>
<td>39,049</td>
<td>16,630</td>
<td>14,989</td>
<td>40,690</td>
<td>2,878</td>
<td>10,689</td>
<td>42,879</td>
</tr>
<tr>
<td>LESS ACCUMULATED DEPRECIATION:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>20,996</td>
<td>5,027</td>
<td>14,989</td>
<td>11,034</td>
<td>5,572</td>
<td>702</td>
<td>15,904</td>
</tr>
<tr>
<td>REAL ESTATE</td>
<td>9,987</td>
<td></td>
<td>9,987</td>
<td>9,987</td>
<td></td>
<td></td>
<td>9,987</td>
</tr>
<tr>
<td>TOTAL ACCUMULATED DEPRECIATION</td>
<td>30,983</td>
<td>5,027</td>
<td>14,989</td>
<td>21,021</td>
<td>5,572</td>
<td>10,689</td>
<td>15,904</td>
</tr>
<tr>
<td>LEASED CAPITAL ASSETS, NET</td>
<td>$8,066</td>
<td>16,630</td>
<td>-</td>
<td>$19,669</td>
<td>(2,694)</td>
<td>-</td>
<td>$16,975</td>
</tr>
</tbody>
</table>

**OPERATING LEASES**

The University has certain lease agreements in effect that are considered operating leases, which are primarily for leased building space. During the years ended June 30, 2014 and 2013, the University recorded rent expenses of $38,791,000 and $31,303,000, respectively, for these leases. Future lease payments under these leases as of June 30, 2014 are as follows:

|-------------------------------|--------|--------|--------|--------|--------|-------------|-------------|-------------|-------------|------------------------|------------|---------------------------|

**NOTE 11:**

Bonds and Notes Payable

The bonds and notes payable at June 30, 2014 consist of state of Washington General Obligation and Refunding Bonds, University Revenue Bonds, and Notes Payable. These obligations have fixed interest rates ranging from 1.64% to 6.52%. Debt service requirements at June 30, 2014 were as follows:

**BONDS AND NOTES PAYABLE** (Dollars in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>STATE OF WASHINGTON GENERAL OBLIGATION BONDS</th>
<th>UNIVERSITY OF WASHINGTON REVENUE BONDS</th>
<th>NOTES PAYABLE AND OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Interest</td>
<td>Principal Interest</td>
<td>Principal Interest</td>
</tr>
<tr>
<td>2015</td>
<td>$15,460</td>
<td>$38,945</td>
<td>$4,368</td>
</tr>
<tr>
<td>2016</td>
<td>$18,289</td>
<td>$41,335</td>
<td>$3,146</td>
</tr>
<tr>
<td>2017</td>
<td>$17,620</td>
<td>$42,870</td>
<td>$3,007</td>
</tr>
<tr>
<td>2018</td>
<td>$14,300</td>
<td>$42,215</td>
<td>$2,898</td>
</tr>
<tr>
<td>2019</td>
<td>$14,345</td>
<td>$43,530</td>
<td>$2,875</td>
</tr>
<tr>
<td>2020 - 2024</td>
<td>$59,435</td>
<td>$235,955</td>
<td>$8,605</td>
</tr>
<tr>
<td>2025 - 2029</td>
<td>$25,595</td>
<td>$258,830</td>
<td>$571</td>
</tr>
<tr>
<td>2030 - 2034</td>
<td>–</td>
<td>$258,770</td>
<td>$200</td>
</tr>
<tr>
<td>2035 - 2039</td>
<td>–</td>
<td>$419,030</td>
<td>$160</td>
</tr>
<tr>
<td>2040 - THEREAFTER</td>
<td>–</td>
<td>$383,375</td>
<td>–</td>
</tr>
<tr>
<td>TOTAL PAYMENTS</td>
<td>$165,044</td>
<td>$1,764,855</td>
<td>$25,830</td>
</tr>
</tbody>
</table>

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State law requires that the University reimburse the state for debt service payments relating to its portion of the state of Washington General Obligation and Refunding Bonds from Medical Center patient revenues, tuition, timber sales and other revenues.

PLEDGED REVENUES
The University has pledged $54,738,000 of future Student Facilities Fees and earnings on invested fees to retire the Student Facilities Refunding Revenue Bonds issued in 2005. Proceeds of the bonds were used to construct student recreational sports facilities. These funds will be committed until the fiscal year ending June 30, 2030. Fiscal year 2014 debt service on these bonds is 18.5% of the associated 2014 pledged revenues.

ISSUANCE ACTIVITY
On December 5, 2012, the University issued $299,425,000 in General Revenue & Refunding Bonds, 2012C, at a premium of $30,721,000. The proceeds were used to pay off $20,000,000 in commercial paper and used the proceeds to buy out $34,000,000 in short-term commercial paper and used the proceeds to fund various projects such as renovation of Husky Stadium, the Husky Union Building, and the Ethnic Cultural Center; implementation of the Housing and Food Services Master Capital Plan (Phases 1-3); improvements at the University’s Bothell and Tacoma campuses; and construction of the new Molecular Engineering Building. In addition, proceeds were used to pay off $8,589,000. The proceeds were used to fund various projects such as renovation of Husky Stadium, implementation of the

Housing and Food Services Master Capital Plan (Phases 2 and 3) and construction of the Husky Ballpark. In addition, proceeds were used to pay off $20,000,000 in commercial paper. The 2013 bonds have coupon rates ranging from 1.50% to 5.00% with an average coupon rate of 4.96%. The average life of the 2013 General Revenue bonds is 17.72 years with final maturity on July 1, 2041.

REFUNDING ACTIVITY
On February 5, 2013, the state of Washington refunded General Obligation Bonds totaling $11,870,000 (UW portion) with new bond issuances totaling $11,435,000 and premium of $1,837,000. The refunded bonds had a coupon rate of 5.00%; the new bonds have an average interest rate of 4.50%. The refunding decreased the total debt service payments to be made over the next five years by $837,000 and resulted in a total economic gain of $815,000.

On January 9, 2014, the University, through the Washington Economic Development Finance Authority, refunded Lease Revenue Bonds financing the University’s blended component unit, Washington Biomedical Research Properties 1, totaling $11,435,000 and premium of $1,837,000. The refunded bonds had a coupon rate of 4.37%. The refunding decreased the total debt service payments to be made over the next 21.5 years by $3,488,000 and resulted in a total economic gain of $2,445,000. The average life of the Washington Economic Development Finance Authority Lease Revenue Refunding Bonds, 2013 is 10.6 years with final maturity on June 1, 2034.

Combined COP Refunding:
On March 19, 2013, the state of Washington refunded Certificates of Participation (COP) totaling $2,740,000 with new COP issuances totaling $2,410,000 (plus premium of $358,000). The refunding decreased the total debt service payments to be made over the next 12 years by $338,000 and resulted in a total economic gain of $368,000.

COMMERCIAL PAPER PROGRAM
In July 2006, the Board of Regents authorized a commercial paper program with a maximum borrowing limit of $250,000,000, payable from University general revenues. This short-term borrowing program is primarily used to fund capital expenditures. As of June 30, 2014 and 2013, there was $58,500,000 and $25,000,000, respectively, in outstanding commercial paper. $8,500,000 of this debt was issued to refinance the Metropolitan Tract’s line of credit (Note 7), and is therefore reflected as a component of the Metropolitan Tract line on the Statements of Net Position.

During fiscal year 2013, the University issued an additional $75,000,000 and retired $75,000,000 of commercial paper debt.

During fiscal year 2014, the University issued an additional $53,500,000 and retired $20,000,000 of commercial paper debt.

SUBSEQUENT DEBT OFFERING
On October 28, 2014, the University issued $34,000,000 in short-term commercial paper and used the proceeds to buy out the leasehold of the Cobb Building in the University’s Metropolitan Tract.
NOTE 12:

Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2014 and 2013 are summarized as follows:

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>INSTRUCTION</td>
<td>1,036,506</td>
<td>987,945</td>
</tr>
<tr>
<td>RESEARCH</td>
<td>766,310</td>
<td>756,162</td>
</tr>
<tr>
<td>PUBLIC SERVICE</td>
<td>41,553</td>
<td>47,818</td>
</tr>
<tr>
<td>ACADEMIC SUPPORT</td>
<td>297,200</td>
<td>261,222</td>
</tr>
<tr>
<td>STUDENT SERVICES</td>
<td>43,420</td>
<td>36,322</td>
</tr>
<tr>
<td>INSTITUTIONAL SUPPORT</td>
<td>223,955</td>
<td>200,872</td>
</tr>
<tr>
<td>OPERATION &amp; MAINTENANCE OF PLANT</td>
<td>201,049</td>
<td>206,510</td>
</tr>
<tr>
<td>SCHOLARSHIPS &amp; FELLOWSHIPS</td>
<td>138,309</td>
<td>140,897</td>
</tr>
<tr>
<td>AUXILIARY ENTERPRISES</td>
<td>285,561</td>
<td>203,615</td>
</tr>
<tr>
<td>MEDICAL-RELATED</td>
<td>1,042,323</td>
<td>999,687</td>
</tr>
<tr>
<td>DEPRECIATION/AMORTIZATION</td>
<td>308,190</td>
<td>280,099</td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSES</td>
<td>$4,384,376</td>
<td>$4,121,149</td>
</tr>
</tbody>
</table>

Instruction
Instruction includes expenses for all activities that are part of an institution’s instruction program. Expenses for credit and noncredit courses; academic, vocational, and technical instruction; and tutorial instruction are included in this category. The University’s professional and continuing education programs are also included.

Research
The research category includes all expenses for activities specifically organized to produce research, which are funded by federal, state, and private institutions.

Public Service
Public service includes activities conducted primarily to provide non-instructional services to individuals and groups other than the University and its students, such as community service programs, conferences, institutes and general advisory services.

The activities of the University’s public radio stations, Center for Educational Leadership and clinical trials are included in this category.

Academic Support
Academic support includes expenses incurred to provide support services for the institution’s primary missions: instruction, research, and public service. The activities of the University’s academic administration, libraries, museums and galleries, and information technology support for academic activities are included in this category.

Student Services
The student services category includes the Offices of Admissions and the University Registrar. The activities of the Center for Undergraduate Advising, Diversity, and Student Success, and the operations of the Rubenstein Pharmacy in the student health center are also included in this category.

Institutional Support
The institutional support category includes central activities that manage long-range planning for the institution, such as planning and programming operations, legal services, fiscal operations, space management, procurement and activities concerned with community and alumni relations. The University’s central administration departments and information technology support for non-academic activities are included in this category.

Operation and Maintenance of Plant
The operation and maintenance of plant category includes the administration, operation, maintenance, preservation, and protection of the institution’s physical plant.

Scholarships and Fellowships
This category includes expenses for scholarships and fellowships and other financial aid not funded from existing University resources. Financial aid funded from existing University resources are considered scholarship allowances, which are reflected as an offset to tuition revenues. Expenditure of amounts received from the Washington State Need grant, Washington Higher Education grant, and Pell grants are reflected in this manner.

Auxiliary Enterprises
Auxiliary enterprises furnish goods or services to students, faculty, staff or the general public. These units charge a fee directly related to the cost of the goods or services. A distinguishing characteristic of an auxiliary enterprise is that it operates as a self-supporting activity. The activities of the University’s Intercollegiate Athletics, Commuter Services and Housing and Food Services departments are included in this category.

Medical-related
The medical-related category includes all expenses associated with patient-care operations, including nursing and other professional services, general services, administrative services, and fiscal services. The activities of UWMC, UWP, and Neighborhood Clinics are included in this category (Note 1).

Depreciation/Amortization
Depreciation and amortization reflect a periodic expensing of the cost of capitalized assets such as buildings, equipment, software or other intangible assets, spread over their estimated useful lives.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13:

Related Parties

Harborview Medical Center (HMC), a hospital and Level I adult and pediatric trauma center located in Seattle, is a component unit of King County, Washington. It has been managed by the University under a management contract between King County and the University since 1967. The current management contract will be in effect through June 30, 2015.

Under the contract, the HMC Board of Trustees determines major institutional policies and retains control of programs and fiscal matters, while King County retains ultimate control over capital programs and capital budgets. The University is responsible for the operations of HMC, including the provision of medical, dental and management services. All of the individuals employed at HMC, including physicians, are employees of the University. HMC expenses, including payroll, are reimbursed to the University from HMC fund sources.

HMC revenues and expenses are not recognized in the University's financial statements. The University's financial statements do, however, include accounts receivable from HMC of $33,015,000 in 2014 and $23,404,000 in 2013, as well as HMC investments of $3,389,000 and $2,955,000, respectively, and accrued liabilities of $18,600,000 and $18,526,000, respectively.

Beginning in fiscal year 2014, UW Medicine healthcare and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options.

NOTE 14:

Other Post Employment Benefits (OPEB)

Healthcare and life insurance programs for employees of the state of Washington are administered by the Washington State Health Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs. The University's health and life insurance programs are funded by the University through a self-sustaining activity of the University (ITS department). The ITS department calculates the premium amounts each year which will be recognized by the ITS department over the useful life of the asset.

The University of Washington Foundation (UWF) is a nonprofit organization that performs fundraising activities on behalf of the University. The UWF is not included in the University's financial statements as a component unit because gifts and grants that are made to the UWF are immediately transferred to the University. In 2014 and 2013, the UWF transferred $53,510,000 and $64,813,000, respectively, to the University in gifts and grants received on its behalf; these are included in the financial statements of the University. The remaining amounts retained by the UWF are not significant to the University's financial statements.

The University of Washington Alumni Association is a tax-exempt entity that was established to connect and celebrate alumni and to support the University's mission. The Alumni Association received $2,564,000 and $2,491,000 from the University in support of its operations in fiscal years 2014 and 2013, respectively.

During fiscal year 2013, UWMC provided $2,100,000 to Northwest Hospital (NWH) to mitigate the negative impact of several state program reductions including the hospital safety net funding. This amount is presented in the Statements of Revenues, Expenses and Changes in Net Position for the University as a reduction of Patient Services revenue and for NWH as an increase in Patient Services revenue. In addition, $8,321,000 of capital funding was also provided by UWMC to NWH during fiscal year 2013, and is reflected by the University in Other Nonoperating Revenues (Expenses) and by NWH in Capital Grants, Gifts and Other.

ACTUARIAL STUDY

Actuarial studies, performed every two years by the Washington Office of the State Actuary, calculated that the total OPEB obligation of the state of Washington at January 1, 2013 and 2011 was $3.7 billion and $3.5 billion, respectively. The annual required contribution was $342 million and $321 million for the state of Washington for 2013 and 2011, respectively. The actuary calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data.
The University offers two contributory plans: the Washington State Public Employees Retirement System (PERS) plan, a defined-benefit retirement plan; and the University of Washington Retirement Plan (UWRP), a defined-contribution plan. The University of Washington Supplemental Retirement Plan, a defined-benefit plan, is closed to employees who were not active participants on February 28, 2011.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description: The University contributes to PERS, a cost sharing, multiple-employer, defined-benefit pension plan administered by the state of Washington Department of Retirement Systems. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living allowance to eligible nonacademic plan members hired on or after October 1, 1977. In addition, PERS Plan 3 has a defined-contribution component, which is fully funded by employee contributions. The authority to establish and amend benefit provisions resides with the legislature.

The Washington State Department of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for PERS. The report may be obtained by writing to the Department of Retirement Systems, P.O. Box 48380, Olympia, Washington 98504-8380, or visiting www.drs.wa.gov/administration/.

Funding Policy: The Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required contribution rates for PERS. Plan 1 members were required to contribute 6% of their annual covered salary in fiscal years 2014 and 2013. Contributions for Plan 2 members are determined by the aggregate method, and may vary over time. The contribution rate for Plan 2 employees at June 30, 2014 and 2013 was 4.9% and 4.6%, respectively. Plan 3 members can choose contributions ranging from 5% to 15% of salary, based on the age of the member. The defined-contribution benefit for PERS 3 will depend on the member’s contributions, the investment earnings on those contributions, and if an annuity is taken, the age at which the member receives payment. The blended contribution rate for the University at June 30, 2014 and 2013, for each of PERS Plans 1, 2, and 3 was 9.21% and 7.21% respectively.

The University’s contributions to PERS for the years ended June 30, 2014, 2013, and 2012 were $81,662,000, $62,030,000 and $59,708,000, respectively, as determined by rates established in accordance with RCW 41.45.

UNIVERSITY OF WASHINGTON RETIREMENT PLAN (403(B))

Faculty, librarians and professional staff are eligible to participate in the University of Washington Retirement Plan, a 403(b) defined-contribution plan administered by the University.

403(b) Plan Description: Contributions to the plan are invested by participants in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Employees have at all times a 100% vested interest in their accumulations. Benefits from the plan are available upon separation or retirement at the member’s option. RCW 28B.10.400 et. seq. assigns the authority to the University of Washington Board of Regents to establish and amend benefit provisions.

The number of participants in the 403(b) plan for the years ended June 30, 2014 and 2013 were 14,993 and 14,495, respectively.

403(b) Funding Policy: Employee contribution rates, based on age, are 5%, 7.5% or 10% of salary. The University matches the contributions of employees. Within parameters established by the legislature, contribution requirements may be established or amended by the University of Washington Board of Regents. Employee and employer contributions for the years ended June 30, 2014 and 2013 were $97,763,000 and $90,837,000, respectively.

The actuary’s allocation of the cumulative statewide liability related to the University and HMC (an unconsolidated related party), was estimated at approximately $671 million and $605 million for 2013 and 2011, respectively. These amounts are not included in the University’s financial statements.

The University paid $288 million and $289 million for healthcare expenses in 2014 and 2013, respectively, which included its pay-as-you-go portion of the OPEB liability, calculated by the actuary at $8.6 million and $6.8 million in 2014 and 2013, respectively.

The State Actuary’s report is available at: osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm
NOTE 16: Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2014 and 2013 were $176,659,000 and $156,326,000, respectively. These expenditures will be funded from local funds, debt proceeds and state appropriations.

The University receives and expends substantial amounts under federal and state grants, contracts and programs. This funding is used for research, student aid, Medical Center operations and other programs, and is subject to audit by governmental granting agencies. Certain grant and contract costs billed to the federal government are subject to audit under OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The University is also involved in various other claims and legal actions arising in the ordinary course of business. University management believes that any liabilities arising from these matters will not have a material effect on the University's financial statements.

The University is exposed to risk of loss related to tort liability, injuries to employees and loss of property. The University purchases insurance protection for workers’ compensation as well as marine, aviation and certain other risks. The University also purchases insurance protection for loss of property at self-sustaining units, bond-financed buildings and where otherwise required by contract; otherwise, the risk of property loss is retained, unfunded. For medical professional, general, employment practices and automobile liability, the University maintains a program of self-insurance reserves and excess insurance coverage. The self-insurance reserve represents the estimated ultimate cost of settling claims resulting from events that have occurred on or before the Statements of Net Position date. The reserve includes the undiscounted amounts that will be required for future payments of claims that have been reported, and claims related to events that have occurred but have not yet been reported.

401(a) Plan Description: This plan provides for a supplemental payment component, which guarantees a minimum retirement benefit based upon a one-time calculation at each eligible participant’s retirement date. The University makes direct payments to qualifying retirees when the retirement benefits provided by the 403(b) plan do not meet the benefit goals.

401(a) Plan Funding: The University received an actuarial valuation of the UWSRP with a valuation date of July 1, 2013. The previous evaluations were performed in 2011 and 2009. The University has set aside $177,019,000 and $148,270,000 as of June 30, 2014 and 2013, respectively, for this liability. These funds do not meet the GASB technical definition of “Plan Assets” since they have not been segregated and restricted in a trust or equivalent arrangement. The UAL shown in the table above, therefore, does not reflect a credit for these amounts.

The following table reflects the activity in the Net Pension Obligation for the years ended June 30, 2014, 2013 and 2012:

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance at Beginning of Fiscal Year</th>
<th>Payments to Beneficiaries</th>
<th>Balance at End of Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$163,372</td>
<td>(3,027)</td>
<td>$198,895</td>
</tr>
<tr>
<td>2013</td>
<td>$127,465</td>
<td>(2,643)</td>
<td>$163,372</td>
</tr>
<tr>
<td>2012</td>
<td>$99,124</td>
<td>(2,040)</td>
<td>$127,465</td>
</tr>
</tbody>
</table>

The UAL and ARC were established using the entry age normal cost method.
The self-insurance reserve is estimated through an actuarial calculation and included in Long-Term Liabilities. Changes in the self-insurance reserve for the years ended June 30, 2014, 2013, and 2012 are noted below:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RESERVE AT BEGINNING OF FISCAL YEAR</strong></td>
<td>$79,708</td>
<td>$62,919</td>
<td>$50,092</td>
</tr>
<tr>
<td><strong>INCURRED CLAIMS AND CHANGES IN ESTIMATES</strong></td>
<td>13,917</td>
<td>28,605</td>
<td>24,839</td>
</tr>
<tr>
<td><strong>CLAIM PAYMENTS</strong></td>
<td>(26,175)</td>
<td>(11,816)</td>
<td>(12,012)</td>
</tr>
<tr>
<td><strong>RESERVE AT END OF FISCAL YEAR</strong></td>
<td>$67,450</td>
<td>$79,708</td>
<td>$62,919</td>
</tr>
</tbody>
</table>

On October 26, 2012, the Commissioners of Public Hospital District No. 1 filed a lawsuit alleging that Valley Medical Center lacked the authority to assent to the strategic alliance agreement and are seeking to prevent the Board of Trustees formed by the strategic alliance agreement from exercising "legislative responsibilities of the District's elected commissioners." The King County Superior Court ruled for the University, and the case has been appealed. Although the University cannot predict the result of this appeal, University management believes that the lawsuit will not have a material adverse impact upon the financial position of the University.

During fiscal year 2014, the University entered into a Master Licensing Agreement with Starbucks Corporation. In accordance with this agreement, the University is obligated to build and operate eight Starbucks licensed stores on its campuses. Three stores must be in operation by June 30, 2018, and the remaining stores must be in operation by June 30, 2020. The term of each store's license extends ten years from the date the store is placed in service. In exchange, according to the ten-year Sponsorship Agreement also entered into during fiscal year 2014, Starbucks has agreed to pay the University a sponsorship fee totaling $10,000,000 through fiscal year 2023.
## Blended Component Units

Condensed combining statements for the University and its blended component units are shown below:

### Table: Condensed Combining Statements

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>Combined Entities</th>
<th>Eliminations</th>
<th>University of Washington</th>
<th>Total Blended Component Units</th>
<th>Medical Entities</th>
<th>Real Estate Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td>$1,537,383</td>
<td>$(9,073)</td>
<td>$1,467,956</td>
<td>$78,500</td>
<td>$64,357</td>
<td>$14,143</td>
</tr>
<tr>
<td><strong>NONCURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL OTHER ASSETS</td>
<td>$4,316,027</td>
<td>$(8,285)</td>
<td>$4,233,315</td>
<td>$90,997</td>
<td>$88,957</td>
<td>$2,040</td>
</tr>
<tr>
<td>CAPITAL ASSETS, NET</td>
<td>$4,044,796</td>
<td>-</td>
<td>$3,721,405</td>
<td>$323,391</td>
<td>$14,316</td>
<td>$309,075</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$9,898,206</td>
<td>$(17,358)</td>
<td>$9,422,676</td>
<td>$492,888</td>
<td>$167,630</td>
<td>$325,258</td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOWS OF RESOURCES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNAMORTIZED LOSS ON BOND REFUNDING</td>
<td>$14,359</td>
<td>-</td>
<td>$14,359</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td>$9,912,565</td>
<td>$(17,358)</td>
<td>$9,437,035</td>
<td>$492,888</td>
<td>$167,630</td>
<td>$325,258</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td>$871,970</td>
<td>$(26,629)</td>
<td>$810,694</td>
<td>$87,905</td>
<td>$60,664</td>
<td>$27,241</td>
</tr>
<tr>
<td>TOTAL NONCURRENT LIABILITIES</td>
<td>$2,398,046</td>
<td>-</td>
<td>$2,095,946</td>
<td>$302,100</td>
<td>-</td>
<td>$302,100</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$3,270,016</td>
<td>$(26,629)</td>
<td>$2,906,640</td>
<td>$390,005</td>
<td>$60,664</td>
<td>$329,341</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET INVESTMENT IN CAPITAL ASSETS</td>
<td>$2,018,077</td>
<td>-</td>
<td>$2,007,437</td>
<td>$10,640</td>
<td>$14,316</td>
<td>$(3,676)</td>
</tr>
<tr>
<td>RESTRICTED:</td>
<td></td>
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</tr>
<tr>
<td>NONEXPENDABLE</td>
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<td>$1,257,297</td>
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<td>EXPENDABLE</td>
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<td>$1,628,532</td>
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<td>$1,637,129</td>
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<td>$6,530,395</td>
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<td>$9,437,035</td>
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### Table: Condensed Combining Statements (Continued)

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>Combined Entities</th>
<th>Eliminations</th>
<th>University of Washington</th>
<th>Total Blended Component Units</th>
<th>Medical Entities</th>
<th>Real Estate Entities</th>
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<tbody>
<tr>
<td><strong>ASSETS</strong></td>
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<td>CURRENT ASSETS:</td>
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<td>$3,641,225</td>
<td>$334,732</td>
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<td><strong>TOTAL ASSETS</strong></td>
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<td>$(9,587)</td>
<td>$8,657,093</td>
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<td>$163,093</td>
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<td><strong>LIABILITIES</strong></td>
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<td>NET INVESTMENT IN CAPITAL ASSETS</td>
<td>$2,018,077</td>
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<td>$2,007,437</td>
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<td>EXPENDABLE</td>
<td>$1,628,532</td>
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<td>$1,628,532</td>
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<td>UNRESTRICTED</td>
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<td>$1,665</td>
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<td>$9,167,181</td>
<td>$(9,587)</td>
<td>$8,657,093</td>
<td>$519,675</td>
<td>$163,093</td>
<td>$356,582</td>
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### Statements of Revenues, Expenses and Changes in Net Position – Year ended June 30, 2014

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<thead>
<tr>
<th></th>
<th>Combined Entities</th>
<th>Eliminations</th>
<th>University of Washington</th>
<th>Total Blended Component Units</th>
<th>Medical Entities</th>
<th>Real Estate Entities</th>
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<td><strong>REVENUES</strong></td>
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<tr>
<td>Operating Revenues:</td>
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<tr>
<td>Student Tuition and Fees</td>
<td>838,796</td>
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<td>1,275,491</td>
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<td>Total Operating Revenue</td>
<td>3,913,971</td>
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<td>3,768,651</td>
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<td>45,323</td>
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<td><strong>EXPENSES</strong></td>
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<tr>
<td>Operating Expenses:</td>
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<tr>
<td>Total Operating Expenses</td>
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<td>(436,935)</td>
<td>(23,582)</td>
<td>(41,292)</td>
<td>17,710</td>
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<td>Gifts</td>
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<td>Investment Income</td>
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<td>468,633</td>
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<td>(5,667)</td>
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<td>(19,030)</td>
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<td>(9,888)</td>
<td>494,638</td>
<td>(7,252)</td>
<td>(5,933)</td>
<td>(1,319)</td>
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</tbody>
</table>

### Statements of Revenues, Expenses and Changes in Net Position – Year ended June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Combined Entities</th>
<th>Eliminations</th>
<th>University of Washington</th>
<th>Total Blended Component Units</th>
<th>Medical Entities</th>
<th>Real Estate Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues:</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Tuition and Fees</td>
<td>808,053</td>
<td>$</td>
<td>808,053</td>
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<td>Grant Revenue</td>
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<tr>
<td>Total Operating Revenue</td>
<td>3,782,920</td>
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<td>3,641,581</td>
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<td>188,180</td>
<td>23,104</td>
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<td></td>
</tr>
<tr>
<td>Operating Expenses:</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>4,121,149</td>
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<td>3,960,407</td>
<td>235,950</td>
<td>211,103</td>
<td>24,847</td>
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<td>Operating Income (Loss)</td>
<td>(338,229)</td>
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<td>(435,916)</td>
<td>(24,666)</td>
<td>(22,923)</td>
<td>(1,743)</td>
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</tr>
<tr>
<td>State Appropriations</td>
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<td>–</td>
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<td>Gifts</td>
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<td>–</td>
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<td>Investment Income</td>
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<td>335,200</td>
<td>6,041</td>
<td>6,037</td>
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<td>Other Nonoperating Revenues (Expenses)</td>
<td>(31,325)</td>
<td>(21,591)</td>
<td>(21,995)</td>
<td>12,261</td>
<td>21,749</td>
<td>(9,488)</td>
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<td>Net Nonoperating Revenues (Expenses)</td>
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<td>(21,591)</td>
<td>633,193</td>
<td>18,302</td>
<td>27,786</td>
<td>(9,484)</td>
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<td>Income (Loss) Before Other Revenues</td>
<td>291,675</td>
<td>10,762</td>
<td>287,277</td>
<td>(6,364)</td>
<td>4,863</td>
<td>(11,227)</td>
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<td>Gifts to Permanent Endowments</td>
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<td><strong>INCREASE (DECREASE) IN NET POSITION</strong></td>
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<td>10,762</td>
<td>419,045</td>
<td>(6,364)</td>
<td>4,863</td>
<td>(11,227)</td>
</tr>
</tbody>
</table>

### Net Position

Net Position – Beginning of Year | 5,741,608 | 8,397 | 5,616,712 | 116,499 | 108,036 | 8,463 |

Net Position – End of Year | $ 6,165,051 | $ 19,159 | $ 6,035,757 | $ 110,135 | $ 112,899 | $ (2,764) |
<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>Combined Entities</th>
<th>Eliminations</th>
<th>University of Washington</th>
<th>Total Blended Component Units</th>
<th>Medical Entities</th>
<th>Real Estate Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statements of Cash Flows – Year ended June 30, 2014</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED (USED) BY:</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATING ACTIVITIES</td>
<td>$(64,337)</td>
<td>$ –</td>
<td>$(54,721)</td>
<td>$(9,616)</td>
<td>$(29,177)</td>
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<tr>
<td>NONCAPITAL FINANCING ACTIVITIES</td>
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<td>446,478</td>
<td>14,771</td>
<td>14,771</td>
<td>–</td>
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<tr>
<td>CAPITAL AND RELATED FINANCING ACTIVITIES</td>
<td>(319,011)</td>
<td>–</td>
<td>(298,903)</td>
<td>(20,108)</td>
<td>(875)</td>
<td>(19,233)</td>
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<td>–</td>
<td>(88,028)</td>
<td>11,049</td>
<td>13,191</td>
<td>(2,142)</td>
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<td><strong>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</strong></td>
<td>922</td>
<td>–</td>
<td>4,826</td>
<td>(3,904)</td>
<td>(2,090)</td>
<td>(1,814)</td>
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<td><strong>CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR</strong></td>
<td>78,206</td>
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<td>55,433</td>
<td>22,773</td>
<td>19,128</td>
<td>3,645</td>
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<td><strong>CASH AND CASH EQUIVALENTS – END OF THE YEAR</strong></td>
<td>$ 79,128</td>
<td>$ –</td>
<td>$ 60,259</td>
<td>$ 18,869</td>
<td>$ 17,038</td>
<td>$ 1,831</td>
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</table>

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>Combined Entities</th>
<th>Eliminations</th>
<th>University of Washington</th>
<th>Total Blended Component Units</th>
<th>Medical Entities</th>
<th>Real Estate Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statements of Cash Flows – Year ended June 30, 2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED (USED) BY:</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
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<td>$(115,280)</td>
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<td>$(161,271)</td>
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<td>24,253</td>
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<td>CAPITAL AND RELATED FINANCING ACTIVITIES</td>
<td>(331,829)</td>
<td>–</td>
<td>(325,546)</td>
<td>(6,283)</td>
<td>216</td>
<td>(6,499)</td>
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<td>124,128</td>
<td>(62,565)</td>
<td>9,769</td>
<td>(72,334)</td>
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<td>28,048</td>
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<td>26,652</td>
<td>1,396</td>
<td>10,500</td>
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<td>50,158</td>
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<td>28,781</td>
<td>21,377</td>
<td>8,628</td>
<td>12,749</td>
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<td><strong>CASH AND CASH EQUIVALENTS – END OF THE YEAR</strong></td>
<td>$ 78,206</td>
<td>$ –</td>
<td>$ 55,433</td>
<td>$ 22,773</td>
<td>$ 19,128</td>
<td>$ 3,645</td>
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### NOTE 18:

**Discrete Component Units**

Condensed combining statements for the University’s discrete component units are shown below:

#### (Dollars in thousands)

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<th>Statements of Net Position</th>
<th>Total Discrete Component Units</th>
<th>Northwest Hospital</th>
<th>Valley Medical Center</th>
<th>Total Discrete Component Units</th>
<th>Northwest Hospital</th>
<th>Valley Medical Center</th>
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<tr>
<td>CURRENT ASSETS:</td>
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<tr>
<td>TOTAL CURRENT ASSETS</td>
<td>$ 221,876</td>
<td>$ 71,416</td>
<td>$ 150,460</td>
<td>$ 225,288</td>
<td>$ 81,949</td>
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<td>NONCURRENT ASSETS:</td>
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<tr>
<td>TOTAL OTHER ASSETS</td>
<td>153,484</td>
<td>55,393</td>
<td>98,091</td>
<td>136,469</td>
<td>50,845</td>
<td>85,624</td>
</tr>
<tr>
<td>CAPITAL ASSETS, NET</td>
<td>489,680</td>
<td>120,566</td>
<td>369,114</td>
<td>510,947</td>
<td>123,243</td>
<td>387,704</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 865,040</strong></td>
<td><strong>$ 247,375</strong></td>
<td><strong>$ 617,665</strong></td>
<td><strong>$ 872,704</strong></td>
<td><strong>$ 256,037</strong></td>
<td><strong>$ 616,667</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td>$ 143,106</td>
<td>64,904</td>
<td>$ 78,202</td>
<td>$ 144,047</td>
<td>62,615</td>
<td>81,432</td>
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<tr>
<td>TOTAL NONCURRENT LIABILITIES</td>
<td>399,554</td>
<td>83,070</td>
<td>316,484</td>
<td>412,175</td>
<td>88,629</td>
<td>323,546</td>
</tr>
<tr>
<td>TOTAL DEFERRED INFLOWS OF RESOURCES</td>
<td>8,585</td>
<td>–</td>
<td>8,585</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</strong></td>
<td><strong>551,245</strong></td>
<td><strong>147,974</strong></td>
<td><strong>403,271</strong></td>
<td><strong>556,222</strong></td>
<td><strong>151,244</strong></td>
<td><strong>404,978</strong></td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td><strong>$ 865,040</strong></td>
<td><strong>$ 247,375</strong></td>
<td><strong>$ 617,665</strong></td>
<td><strong>$ 872,704</strong></td>
<td><strong>$ 256,037</strong></td>
<td><strong>$ 616,667</strong></td>
</tr>
</tbody>
</table>

#### Year Ended June 30, 2014  

<table>
<thead>
<tr>
<th>Statements of Revenues, Expenses and Changes in Net Position</th>
<th>Total Discrete Component Units</th>
<th>Northwest Hospital</th>
<th>Valley Medical Center</th>
<th>Total Discrete Component Units</th>
<th>Northwest Hospital</th>
<th>Valley Medical Center</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>OPERATING REVENUES:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>PATIENT SERVICES</td>
<td>$ 752,980</td>
<td>$ 309,734</td>
<td>$ 443,246</td>
<td>$ 741,581</td>
<td>$ 312,206</td>
<td>$ 429,375</td>
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<tr>
<td>OTHER OPERATING REVENUE</td>
<td>45,556</td>
<td>14,607</td>
<td>30,949</td>
<td>41,175</td>
<td>9,689</td>
<td>31,486</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUE</strong></td>
<td><strong>798,536</strong></td>
<td><strong>324,341</strong></td>
<td><strong>474,195</strong></td>
<td><strong>780,469</strong></td>
<td><strong>327,807</strong></td>
<td><strong>452,662</strong></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATING EXPENSES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER OPERATING EXPENSES</td>
<td>738,308</td>
<td>311,805</td>
<td>426,503</td>
<td>733,981</td>
<td>299,824</td>
<td>434,157</td>
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<tr>
<td>DEPRECIATION / AMORTIZATION</td>
<td>51,018</td>
<td>17,856</td>
<td>33,162</td>
<td>52,028</td>
<td>19,118</td>
<td>32,910</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td><strong>789,326</strong></td>
<td><strong>329,661</strong></td>
<td><strong>459,665</strong></td>
<td><strong>786,009</strong></td>
<td><strong>318,942</strong></td>
<td><strong>467,067</strong></td>
</tr>
<tr>
<td><strong>OPERATING INCOME (LOSS)</strong></td>
<td><strong>9,210</strong></td>
<td>(5,320)</td>
<td><strong>14,530</strong></td>
<td>(5,540)</td>
<td>8,865</td>
<td>(14,045)</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROPERTY TAX REVENUE</td>
<td>16,342</td>
<td>–</td>
<td>16,342</td>
<td>16,254</td>
<td>–</td>
<td>16,254</td>
</tr>
<tr>
<td>INVESTMENT INCOME</td>
<td>7,390</td>
<td>4,362</td>
<td>3,028</td>
<td>7,519</td>
<td>4,569</td>
<td>2,950</td>
</tr>
<tr>
<td>NET NONOPERATING REVENUES (EXPENSES)</td>
<td><strong>(11,925)</strong></td>
<td>(100)</td>
<td><strong>(11,825)</strong></td>
<td><strong>(1,560)</strong></td>
<td><strong>419</strong></td>
<td><strong>(1,979)</strong></td>
</tr>
<tr>
<td>INCOME (LOSS) BEFORE OTHER REVENUES</td>
<td><strong>(2,715)</strong></td>
<td>(5,420)</td>
<td><strong>2,705</strong></td>
<td><strong>(7,100)</strong></td>
<td><strong>9,284</strong></td>
<td><strong>(16,384)</strong></td>
</tr>
<tr>
<td>CAPITAL GRANTS, GIFTS AND OTHER</td>
<td>28</td>
<td>28</td>
<td>–</td>
<td>8,340</td>
<td>8,340</td>
<td>–</td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN NET POSITION</strong></td>
<td><strong>(2,687)</strong></td>
<td>(5,392)</td>
<td><strong>2,705</strong></td>
<td><strong>1,240</strong></td>
<td><strong>17,624</strong></td>
<td><strong>(16,384)</strong></td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td><strong>$ 313,795</strong></td>
<td><strong>$ 99,401</strong></td>
<td><strong>$ 214,394</strong></td>
<td><strong>$ 316,482</strong></td>
<td><strong>$ 104,793</strong></td>
<td><strong>$ 211,689</strong></td>
</tr>
</tbody>
</table>

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