



UNIVERSITY *of* WASHINGTON

2013 FINANCIAL REPORT



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University Facts

	2012 - 2013	2007 - 2008	2002 - 2003
STUDENTS			
Autumn Enrollment ¹			
Undergraduate	36,792	32,355	31,474
Graduate	12,785	10,591	9,768
Professional	1,999	1,803	1,671
TOTAL	51,576	44,749	42,913
Extension course and conference registrations	74,922	56,097	36,203
Number of Degrees Awarded			
Bachelor's	9,782	8,306	8,053
Master's	3,906	2,877	2,735
Doctoral	763	631	495
Professional	566	500	469
TOTAL	15,017	12,314	11,752
FACULTY ¹ (Professorial, Instructional, Research)	4,356	4,101	3,637
FACULTY AND STAFF ²	26,315	24,468	19,313
RESEARCH FUNDING – ALL SOURCES (in thousands of dollars)	\$ 1,238,000	\$ 1,040,000	\$ 933,000
SELECTED REVENUES (in thousands of dollars)			
Gifts, Grants, and Contracts	\$ 1,412,541	\$ 1,115,975	\$ 968,295
Patient Service and Other Medical-Related Revenues ³	1,971,451	968,216	667,858
Auxiliary Enterprises and Other Revenues	814,408	389,594	345,396
State Appropriations (Operating)	218,165	388,485	332,518
Tuition and Fees ⁴	808,053	419,690	282,132
SELECTED EXPENSES (in thousands of dollars)			
Instruction, Academic Support, and Student Services	\$ 1,285,489	\$ 1,122,688	\$ 784,167
Research and Public Service	803,981	654,468	522,534
Medical-Related ³	1,785,696	748,832	538,410
Auxiliary Enterprises	203,615	161,807	127,891
Institutional Support and Physical Plant	407,381	324,613	252,676
CONSOLIDATED ENDOWMENT FUNDS ⁵ (in thousands of dollars)	\$ 2,347,000	\$ 2,161,000	\$ 1,000,000
SQUARE FOOTAGE ⁶ (in thousands of square feet)	21,773	18,535	17,133

¹ Headcount

² Full-time equivalents

³ Includes Valley Medical Center and Northwest Hospital (2012-2013 only)

⁴ Net of scholarship allowances of \$135,354,000 in 2012-2013, \$69,027,000 in 2007-2008, and \$38,848,000 in 2002-2003

⁵ Stated at fair value

⁶ Gross square footage, all campuses



KPMG LLP
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1918 Eighth Avenue
Seattle, WA 98101

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, 2013 and 2012, and the related statements of revenues, expenses, and 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, 2013 and 2012.

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, 2013 and 2012, 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,
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("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, 2013 and 2012, 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, 2013 and 2012, 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 of 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, WA
November 8, 2013

Management's Discussion *and* Analysis

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, 2013 and 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Financial Highlights for Fiscal Year 2013

The University recorded an increase in net position of \$423 million in fiscal year 2013; \$409 million more than the fiscal year 2012 increase of \$14 million. This is primarily related to an increase in investment income of \$307 million in fiscal year 2013, 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 2013, while revenues from research activities were mostly unchanged.

Key Financial Results for Fiscal Years 2013, 2012 and 2011:

(in millions)	2013	2012	2011
Total operating revenues	\$ 3,783	\$ 3,522	\$ 3,390
Total operating expenses	4,121	3,911	3,769
Operating loss	(338)	(389)	(379)
State appropriations	218	218	297
Investment income	341	34	395
Gifts	178	152	177
Other nonoperating revenue (expense), net	24	(1)	44
Increase in net position	423	14	534
Net position, beginning of year	5,742	5,728	5,194
Net position, end of year	\$ 6,165	\$ 5,742	\$ 5,728

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 2013, continues to emerge from the recession. The University's 2014 general operating appropriation from the state (excluding amounts appropriated for specific purposes) is approximately \$254 million, an increase of \$40 million over 2013. The University expects state funding to remain at this level

through fiscal year 2015. In exchange for this increase 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 totalled \$355 million. The University has \$26 million of unspent ARRA awards that will be expended in fiscal year 2014 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 were mostly flat during fiscal year 2013, but will be increasing by 27% in 2014, to 9.2% of covered salary, 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 will take effect beginning in 2014, there may be significant changes by the state and federal government to implementation plans for healthcare reform between now and 2014. 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, 2013 and 2012, and the results of its operations for the years ended June 30, 2013 and 2012, are included with Valley Medical Center in a separate column for financial statement presentation purposes. (See Note 1 and Note 19 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 303-bed full-service acute care hospital and 22 clinics

Management's Discussion *and* Analysis (CONTINUED)

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 19 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 and liabilities of the University. A summarized comparison of the University's assets, liabilities and net position as of June 30, 2013, 2012, and 2011, follows:

(in millions)	2013	2012	2011
Current assets	\$ 1,459	\$ 1,161	\$ 924
Noncurrent assets:			
Capital assets, net	3,976	3,618	3,246
Other	3,732	3,624	3,843
Total assets	9,167	8,403	8,013
Current liabilities	729	728	651
Noncurrent liabilities	2,273	1,933	1,634
Total liabilities	3,002	2,661	2,285
Net position	\$ 6,165	\$ 5,742	\$ 5,728

The excess of current assets over current liabilities of \$730 million in 2013 and \$433 million in 2012 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 \$298 million in 2013 and \$237 million in 2012, 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 increased \$91 million during 2013 and decreased \$227 million during 2012, as a result of market value changes during the year for the University's investments. Realized and unrealized gains in fiscal year 2013 totaled \$264 million, versus \$35 million of realized and unrealized losses in 2012.

The difference between total assets and total liabilities, referred to as net position or "equity", 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 – is all other funds available to the institution 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, 2013, 2012, and 2011 are summarized as follows:

(in millions)	2013	2012	2011
Net investment in capital assets	\$ 2,038	\$ 2,113	\$ 2,060
Restricted:			
Nonexpendable	1,183	1,116	1,075
Expendable	1,345	1,162	1,227
Unrestricted	1,599	1,351	1,366
Total net position	\$ 6,165	\$ 5,742	\$ 5,728

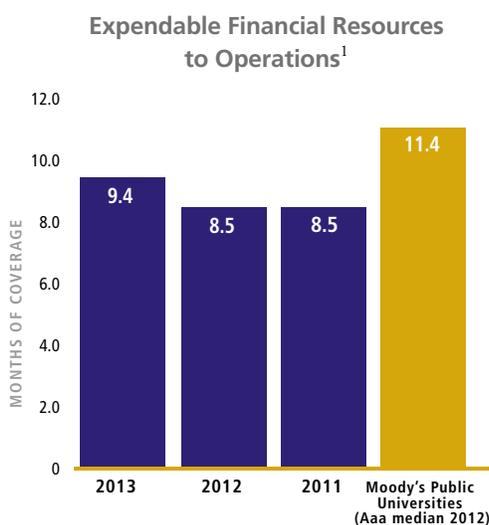
Net investment in capital assets decreased \$75 million, or 4%, in 2013, and increased \$53 million, or 3%, in 2012. This balance increases as debt is paid off or when the University funds fixed asset purchases without financing. This balance decreases as assets are depreciated.

Restricted nonexpendable net position increased \$67 million, or 6%, in 2013, and \$41 million, or 4%, in 2012. For both years the increase reflects the receipt of new endowment gifts, while 2013 also reflects the recovery of unrealized losses on underwater endowments due to increases in market values during the year.

Restricted expendable net position increased \$183 million, or 16%, in 2013, and decreased \$65 million, or 5%, in 2012. This category is primarily affected by new operating and capital gifts, and earnings or losses on restricted investments, including endowments. The recovery of market value for the Consolidated Endowment Fund (CEF) was a significant reason for the increase during 2013.

Unrestricted net position increased by \$248 million, or 18%, in 2013, and decreased by \$15 million, or 1%, in 2012, due to auxiliary and medical-related margins, as well as overall conservative spending.

The ratio of expendable financial resources to operations (as defined by Moody's) measures the strength of net position. This ratio, illustrated in the chart below, shows that in 2013 the University had enough expendable resources from various sources to fund operations for a period of 9.4 months.



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 and 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 gifts and endowment returns. The number of endowments in the CEF increased from 1,801 to 3,982 and the market value of the CEF rose to over \$2.3 billion as of June 30, 2013.

The impact to program support has been substantial with \$747 million distributed over the past 10 years. Programs supported by the endowment include academic support, 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, 2013, 74% of the CEF was invested in Capital Appreciation and 26% in Capital Preservation.

For the fiscal year ended June 30, 2013 the CEF earned an investment return of +13.5%, significantly outperforming both the policy and blended benchmarks. All CEF strategies delivered positive relative performance, with the exception of Emerging Markets which lagged a remarkably strong global equity benchmark. Intermediate-term returns for the CEF continued to be weighed down substantially by the 2008-09 global financial crisis. CEF returns over the past five years averaged +2.3%. Performance over the ten-year period remains solid, with the CEF returning an annual average of +8.2%.

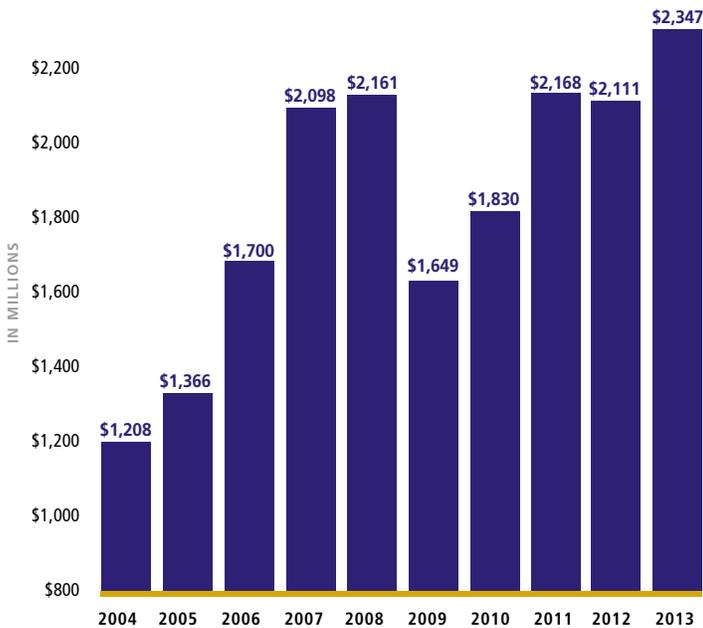
¹ The sum of Unrestricted Net Position and Restricted Expendable Net Position, divided by Total Operating Expenses (Operating Expenses plus interest expense). The result is multiplied by 12 to arrive at months of coverage. Net Position amounts include Northwest Hospital (from 2011) and Valley Medical Center (from 2012).

Management's Discussion *and* Analysis (CONTINUED)

A portion of the University's operating funds are invested in the CEF. As of June 30, 2013 these funds comprise \$468 million of the CEF market value.

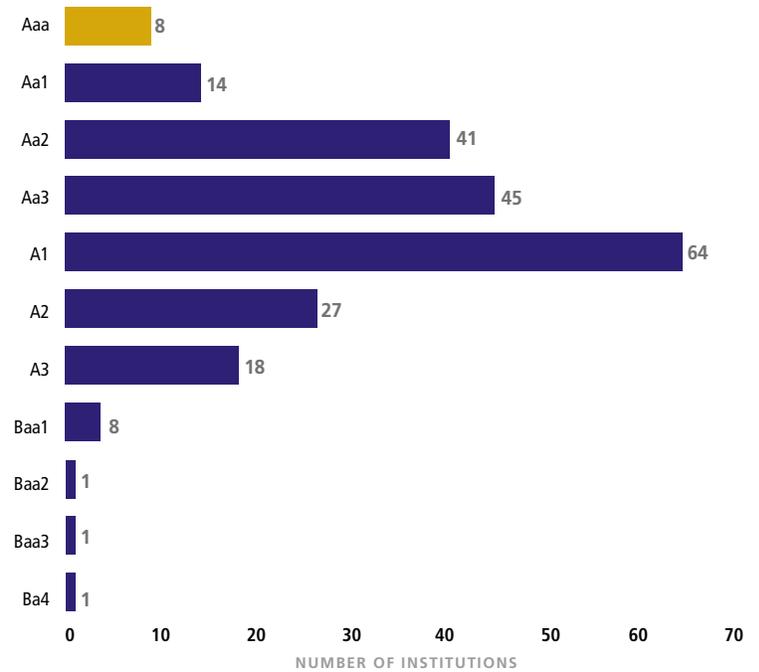
The University takes its role of financial stewardship seriously and works diligently to manage its financial resources effectively. Continued high debt ratings are important indicators of the University's success in this area.

Consolidated Endowment Fund Market Value
(in millions)



Moody's Fiscal Year 2012 Public College and University Rating Distribution

(As of the August 2013 Moody's Median Report)



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.

Credit ratings are a reflection of the University's strength. During 2013, the University was rated Aaa (the highest rating) by Moody's Investors Service and AA+ (the second highest) by Standard & Poor's. In August 2013, Standard & Poor's raised its outlook for the University from stable to positive. 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.

The \$299 million UW General Revenue and Refunding Bonds, issued in December 2012, partially funded the renovation of Husky Stadium, new student housing, renovation of the Husky Union Building and the Ethnic Cultural Center.

During 2013, debt-related capital expenditures included \$147 million for the renovation and expansion of the stadium, \$116 million for construction of new student housing, \$24 million for the expansion of the University of Washington Medical Center (UWMC), and \$19 million for the renovation of the Husky Union Building.

Key projects substantially completed in 2013 include:

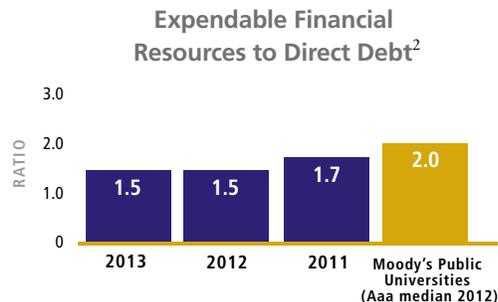
Major renovation of the Husky Union Building that includes enhanced areas for programs, student government and organizations, lounges and event spaces.

Phase 1 of the UWMC Montlake Tower project increased capacity for the Oncology unit, interventional and diagnostic imaging, and the Neonatal Intensive Care Unit (NICU).

New residence halls and apartments built as part of Phase 1 of the Housing Master Plan.

During 2012, debt-related capital expenditures included \$112 million for the construction of new student housing, \$78 million for the renovation and expansion of Husky Stadium, \$61 million for the expansion of UWMC, \$57 million for the renovation of the Husky Union Building, \$18 million for the new Molecular Engineering building, and \$18 million for the renovation of Balmer Hall.

One measure of the University's ability to repay debt is the ratio of expendable resources to debt. The 2013 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 1.5 times over.

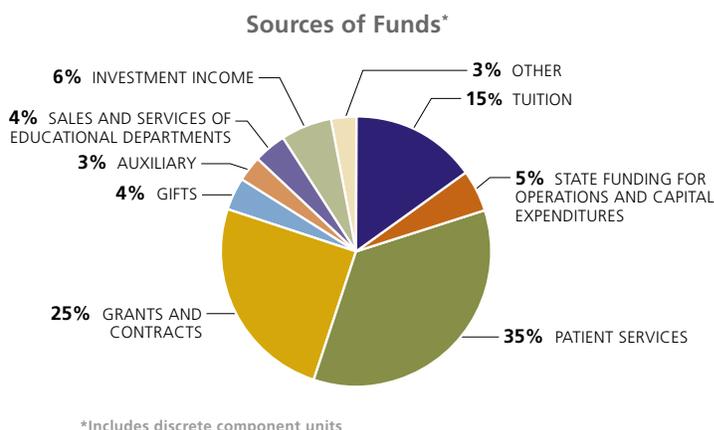


STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position present the University's results of operations and nonoperating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or nonoperating. A condensed comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2013, 2012, and 2011 follows:

(in millions)	2013	2012	2011
Total operating revenues	\$ 3,783	\$ 3,522	\$ 3,390
Total operating expenses	4,121	3,911	3,769
Operating loss	(338)	(389)	(379)
Nonoperating revenues, net of expenses	630	317	766
Other revenues	131	86	147
Increase in net position	423	14	534
Net position, beginning of year	5,742	5,728	5,194
Net position, end of year	\$ 6,165	\$ 5,742	\$ 5,728

The University has a diversified revenue base. No single source generated more than 35% of the total fiscal year 2013 revenues of \$5.4 billion.



The following table summarizes revenues from all sources for the years ended June 30, 2013, 2012, and 2011:

(in millions)	2013	2012	2011
Tuition and fees	\$ 808	\$ 681	\$ 595
Patient services	1,162	1,098	1,064
Grants and contracts	1,364	1,353	1,365
Sales and services of educational departments	198	186	165
Auxiliary enterprises	184	161	154
State funding for operations	218	218	297
Gifts	178	152	177
Investment income	341	34	395
State funding for capital projects	47	6	37
Other	122	95	111
Total revenue – all sources	\$ 4,622	\$ 3,984	\$ 4,360

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 (from 2011) and Valley Medical Center (from 2012).

Management's Discussion *and* Analysis (CONTINUED)

Grant Revenue

Excluding the discrete component units, the largest source of revenues (29%) continues to be grants and contracts. This revenue increased \$11 million, or 7% in 2013, compared to a decrease of \$12 million, or 1%, in 2012. Revenues generated by Federal ARRA research funding decreased to \$32 million in fiscal year 2013, compared to \$74 million in 2012, but were offset by increases in other federal programs.

Grants and contracts provided 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 expenses necessary to support grants and contracts are reimbursed by an indirect cost recovery. The current 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 has declined, as reflected in the table below:

Operating Support for Instruction

(in millions)	2013		2012		2011	
State operating appropriations	\$ 218	21%	\$ 218	24%	\$ 297	33%
Operating tuition and fees	547	53%	461	51%	410	46%
Fees for self-sustaining educational programs	261	26%	220	25%	185	21%
Total educational support	\$1,026	100%	\$ 899	100%	\$ 892	100%

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 \$808 million in 2013, from \$681 million in 2012 and \$595 million in 2011. The increases were primarily due to a 16% increase in average undergraduate resident tuition rates in 2013 and 20% in 2012.

Tuition increases were partially offset by the increase in scholarships and fellowships, and scholarship allowances of \$36 million in 2013, \$49 million in 2012, and \$18 million in 2011.

Self-sustaining educational programs (Fee-Supported Programs) include the following amounts for each of the fiscal years 2013, 2012 and 2011: UW Educational Outreach (the continuing education branch of the University), \$98 million, \$85 million and \$67 million, respectively, summer quarter tuition \$57 million, \$47 million and \$31 million, respectively, and for Business School and School of Medicine programs \$40 million, \$38 million and \$36 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 14) 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. Nearly 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. August 2012 marked the opening 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 303-bed acute care hospital and network of clinics, treats over 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 70 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 a 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 also a participant in two joint ventures: Seattle Cancer Care Alliance and Children's University Medical Group. The University's share in these activities is reflected in the University's financial statements.

In combination, these organizations (not including Valley Medical Center and Northwest Hospital) contributed \$1,162 million in patient service revenues in fiscal year 2013, \$1,098 million in fiscal year 2012, and \$1,064 million in 2011. UWMC generated 76% of this revenue in 2013, and 77% in both 2012 and 2011. UWMC admissions were approximately 18,000 in 2013, a slight decrease from 2012 which was a 5.3% decrease from 2011. Average patient length of stay, however, increased to 6.9 days in 2013, up from 6.7 days in 2012 and 6.1 days in 2011. Increases in UWMC patient services revenue during 2013 were attributable to a price increase executed on July 1, 2012 and favorable third party reimbursement settlements.

Considerable progress has been made in implementing the Electronic Medical Record (EMR) throughout UW Medicine. Valley Medical Center operating results were negatively impacted 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, 2013, 2012, and 2011 consisted of the following:

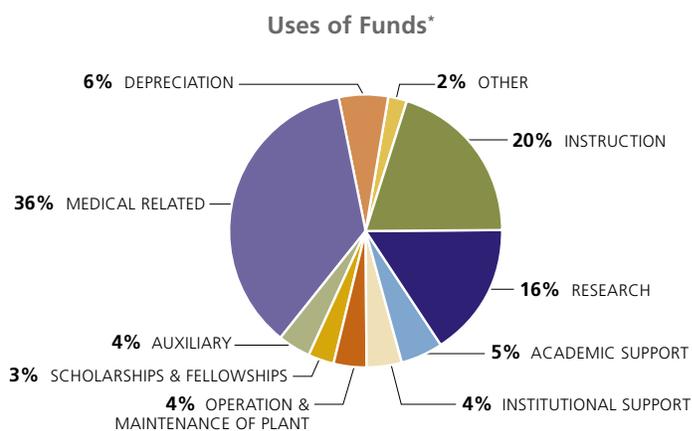
(in millions)	2013	2012	2011
Interest and dividends	\$ 71	\$ 63	\$ 59
Metropolitan Tract net income	6	7	7
Investment in Seattle Cancer Care Alliance	8	7	12
Net appreciation (depreciation) of fair value of investments	264	(35)	324
Investment expenses	(8)	(8)	(7)
Net investment income	\$ 341	\$ 34	\$ 395

Net appreciation includes both realized and unrealized gains and losses; however, the unrealized gains are not expendable until the underlying securities have been sold. Net investment income increased by \$307 million in 2013, compared to a decrease of \$361 million in 2012. The change in realized and unrealized gains and losses was the major factor in the variance each year.

Donor support increased by 26 million, or 17%, to \$178 million in 2013 from \$152 million in 2012. 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 36% of total operating expenses. These dollars provided instruction to more than 51,000 students and funded 4,800 research awards. Medical-related expenses are the largest individual component, due to the inclusion of Northwest Hospital and Valley Medical Center.



*Includes discrete component units

Management's Discussion *and* Analysis (CONTINUED)

A comparative summary of the University's expenses by functional classification (purpose for which the costs are incurred) for the years ended June 30, 2013, 2012, and 2011 follows:

(in millions)	2013	2012	2011
Operating expenses:			
Educational and general instruction	\$ 988	\$ 936	\$ 902
Research	756	777	749
Public service	48	40	39
Academic support	261	248	239
Student services	36	37	36
Institutional support	201	192	185
Operation and maintenance of plant	207	174	167
Scholarships and fellowships	141	108	104
Auxiliary enterprises	204	195	188
Medical-related	999	961	926
Depreciation/amortization	280	243	234
Total operating expenses	\$ 4,121	\$ 3,911	\$ 3,769

Scholarships and fellowships increased \$33 million, or 31%, reflecting an increase in aid to students approved by the Board of Regents to help mitigate the impact of increased tuition rates.

Operation and maintenance of plant increased \$33 million, or 19%, due to an increase in estimated costs associated with pollution remediation efforts for the University's Tacoma campus and a general increase in maintenance and utility costs for all campuses.

Overall, 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 including new residence halls and apartments, renovation of the Husky Union Building and the UWMC expansion.

In 2012, the University's operating expenses increased by \$142 million, or 4%, over 2011. Purchased Services increased by \$28 million, or 5%, driven by increased service expense related to new and upgraded medical systems, and costs associated with the UW Medicine call center. Salaries expense increased by \$62 million, or 4%, driven in part by a modest increase in staffing and contractually agreed wage increases. Benefits expense increased \$33 million, or 6%, resulting from both the increase in FTE's and higher retirement plan contributions for PERS (the defined-benefit pension plan administered by the state of Washington).

OPERATING LOSS

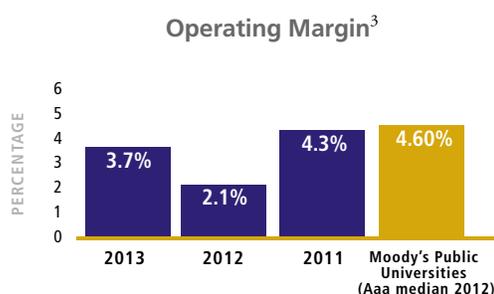
The University's operating loss decreased to \$338 million in 2013 from \$389 million in 2012. The 2012 operating loss was a slight increase from \$379 million in 2011.

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 2013, 2012 and 2011, respectively: \$120 million, \$170 million, and \$82 million. The University continues to rely on nonoperating revenues, in addition to state appropriations, to fund its operations including operating gift revenues and investment income distributions.

OPERATING MARGIN

Moody's measures the net result of revenue and expense activity by including several nonoperating revenues in the margin.

The 2013 operating margin increased to 3.7% from 2.1% in 2012. 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.



³ Operating loss, (including interest expense, operating appropriations, nonoperating federal grants, an assumed 5% spending rate on investments and nonpermanent endowment gifts), divided by operating revenues (less scholarship expenses, and including operating appropriations, nonoperating federal grants, an assumed 5% return on investments and nonpermanent endowment gifts). Excludes Northwest Hospital and Valley Medical Center.



Statements of Net Position

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNITS ¹	
	June 30,		June 30,	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS (NOTE 2)	\$ 78,206	\$ 50,158	\$ 53,349	\$ 45,333
INVESTMENTS, CURRENT PORTION (NOTE 6)	769,607	577,962	23,666	63,121
ACCOUNTS RECEIVABLE (NET OF \$77,553 AND \$81,299 ALLOWANCE) (NOTE 5)	574,352	496,944	98,073	99,890
INVENTORIES	31,658	31,676	9,466	9,362
OTHER CURRENT ASSETS	5,227	4,366	40,734	12,394
TOTAL CURRENT ASSETS	1,459,050	1,161,106	225,288	230,100
NONCURRENT ASSETS:				
DEPOSIT WITH STATE OF WASHINGTON (NOTE 3)	58,392	50,418	–	–
INVESTMENTS, NET OF CURRENT PORTION (NOTE 6)	3,368,726	3,278,068	79,775	130,221
METROPOLITAN TRACT (NOTE 7)	112,461	114,211	–	–
STUDENT LOANS RECEIVABLE (NET OF \$8,158 AND \$9,441 ALLOWANCE) (NOTE 4)	70,392	69,039	–	–
OTHER NONCURRENT ASSETS	122,203	112,192	56,694	12,345
CAPITAL ASSETS (NET OF \$3,111,454 AND \$2,908,441 ACCUMULATED DEPRECIATION) (NOTE 8)	3,975,957	3,618,409	510,947	510,903
TOTAL NONCURRENT ASSETS	7,708,131	7,242,337	647,416	653,469
TOTAL ASSETS	\$ 9,167,181	\$ 8,403,443	\$ 872,704	\$ 883,569
LIABILITIES				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE	\$ 156,527	\$ 161,241	\$ 24,602	\$ 32,010
ACCRUED LIABILITIES	298,857	281,410	98,760	89,329
COMMERCIAL PAPER (NOTE 11)	25,000	25,000	–	–
UNEARNED REVENUES	127,492	154,958	8,023	10,727
FUNDS HELD FOR OTHERS	30,206	33,213	–	–
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 9-12)	91,332	72,311	12,662	11,855
TOTAL CURRENT LIABILITIES	729,414	728,133	144,047	143,921
NONCURRENT LIABILITIES:				
U.S. GOVERNMENT GRANTS REFUNDABLE	49,555	49,401	–	–
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 9–12)	2,223,161	1,884,301	412,175	424,406
TOTAL NONCURRENT LIABILITIES	2,272,716	1,933,702	412,175	424,406
TOTAL LIABILITIES	3,002,130	2,661,835	556,222	568,327
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	2,038,495	2,113,238	93,222	99,131
RESTRICTED:				
NONEXPENDABLE	1,182,986	1,115,854	1,773	1,719
EXPENDABLE	1,344,643	1,161,583	8,537	8,673
UNRESTRICTED	1,598,927	1,350,933	212,950	205,719
TOTAL NET POSITION	6,165,051	5,741,608	316,482	315,242
TOTAL LIABILITIES AND NET POSITION	\$ 9,167,181	\$ 8,403,443	\$ 872,704	\$ 883,569

¹ See Note 19

See accompanying notes to basic financial statements.

Dollars in thousands

Statements of Revenues, Expenses and Changes in Net Position

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNITS ¹	
	Year ended June 30, 2013	2012	Year ended June 30, 2013	2012
REVENUES				
OPERATING REVENUES:				
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF \$135,354 AND \$133,243)	\$ 808,053	\$ 681,227	\$ -	\$ -
PATIENT SERVICES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF \$26,699 AND \$24,845)	1,162,389	1,097,525	741,581	704,423
FEDERAL GRANTS AND CONTRACTS	1,057,829	1,070,901	-	-
STATE AND LOCAL GRANTS AND CONTRACTS	93,891	83,954	-	-
NONGOVERNMENTAL GRANTS AND CONTRACTS	158,998	146,699	-	-
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	198,320	185,521	-	-
AUXILIARY ENTERPRISES:				
HOUSING AND FOOD SERVICES	91,133	67,357	-	-
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF \$6,301 AND \$5,757)	47,481	46,714	-	-
OTHER AUXILIARY ENTERPRISES	45,861	47,225	-	-
OTHER MEDICAL-RELATED REVENUE	28,593	28,536	38,888	32,073
OTHER OPERATING REVENUE	90,372	66,711	-	-
TOTAL OPERATING REVENUES	3,782,920	3,522,370	780,469	736,496
EXPENSES				
OPERATING EXPENSES (NOTE 13)				
SALARIES	1,894,510	1,839,181	339,083	325,944
BENEFITS	610,338	596,525	102,389	92,065
SCHOLARSHIPS AND FELLOWSHIPS	140,897	107,729	-	-
UTILITIES	55,068	51,956	8,769	8,425
SUPPLIES AND MATERIALS	395,251	383,355	129,762	133,320
PURCHASED SERVICES	630,249	585,079	134,048	117,181
DEPRECIATION / AMORTIZATION	280,099	242,929	52,028	54,529
OTHER	114,737	104,271	19,930	17,211
TOTAL OPERATING EXPENSES	4,121,149	3,911,025	786,009	748,675
OPERATING LOSS	(338,229)	(388,655)	(5,540)	(12,179)
NONOPERATING REVENUES (EXPENSES)				
STATE APPROPRIATIONS	218,165	218,343	-	-
GIFTS	101,823	76,718	224	301
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE OF \$8,326 AND \$8,207)	341,241	34,123	7,519	6,767
INTEREST ON CAPITAL ASSET-RELATED DEBT	(57,200)	(41,182)	(22,620)	(22,689)
PELL GRANT REVENUE	45,655	47,387	-	-
PROPERTY TAX REVENUE	-	-	16,254	17,818
OTHER NONOPERATING REVENUES (EXPENSES)	(19,780)	(18,330)	(2,937)	1,382
NET NONOPERATING REVENUES	629,904	317,059	(1,560)	3,579
INCOME (LOSS) BEFORE OTHER REVENUES	291,675	(71,596)	(7,100)	(8,600)
CAPITAL APPROPRIATIONS	47,123	6,066	-	-
CAPITAL GRANTS, GIFTS AND OTHER	26,763	25,514	8,340	1,263
GIFTS TO PERMANENT ENDOWMENTS	57,882	53,259	-	-
TOTAL OTHER REVENUES	131,768	84,839	8,340	1,263
INCREASE (DECREASE) IN NET POSITION	423,443	13,243	1,240	(7,337)
NET POSITION				
NET POSITION – BEGINNING OF YEAR	5,741,608	5,728,365	315,242	322,579
NET POSITION – END OF YEAR	\$ 6,165,051	\$ 5,741,608	\$ 316,482	\$ 315,242

¹ See Note 19

See accompanying notes to basic financial statements.

Dollars in thousands

Statements *of* Cash Flows

UNIVERSITY OF WASHINGTON

Year Ended June 30,
2013 2012**CASH FLOWS FROM OPERATING ACTIVITIES**

STUDENT TUITION AND FEES	\$ 754,131	\$ 665,192
PATIENT SERVICES	1,148,870	1,081,711
GRANTS AND CONTRACTS	1,276,506	1,319,705
PAYMENTS TO SUPPLIERS	(395,116)	(369,199)
PAYMENTS FOR UTILITIES	(55,051)	(51,018)
PURCHASED SERVICES	(630,170)	(573,664)
OTHER OPERATING DISBURSEMENTS	(114,101)	(99,776)
PAYMENTS TO EMPLOYEES	(1,892,338)	(1,835,546)
PAYMENTS FOR BENEFITS	(543,668)	(530,790)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(140,897)	(107,729)
LOANS ISSUED TO STUDENTS	(24,716)	(28,965)
COLLECTION OF LOANS TO STUDENTS	23,520	24,451
OTHER MEDICAL CENTER RECEIPTS	28,593	28,536
AUXILIARY ENTERPRISE RECEIPTS	191,732	161,858
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	196,927	185,856
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	670,350	664,145
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(688,722)	(626,859)
OTHER RECEIPTS	78,870	72,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (115,280)	\$ (20,092)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

STATE APPROPRIATIONS	\$ 237,068	\$ 195,422
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	45,655	47,387
PRIVATE GIFTS	90,323	65,400
PERMANENT ENDOWMENT RECEIPTS	57,882	53,259
DIRECT LENDING RECEIPTS	240,350	249,363
DIRECT LENDING DISBURSEMENTS	(238,113)	(265,599)
OTHER	(19,571)	(18,762)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	\$ 413,594	\$ 326,470

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

PROCEEDS FROM CAPITAL DEBT	\$ 438,385	\$ 652,752
STATE CAPITAL APPROPRIATIONS	47,504	6,982
CAPITAL GRANTS AND GIFTS RECEIVED	24,818	24,893
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(624,457)	(576,745)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(142,933)	(404,692)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(67,939)	(63,449)
OTHER	(7,207)	1,402
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (331,829)	\$ (358,857)

UNIVERSITY OF WASHINGTON

Year Ended June 30,
2013 2012**CASH FLOWS FROM INVESTING ACTIVITIES**

PROCEEDS FROM SALES OF INVESTMENTS	6,408,348	6,369,847
DISBURSEMENTS FOR INVESTMENTS	(6,417,393)	(6,372,671)
INVESTMENT INCOME	70,608	62,746
NET CASH PROVIDED BY INVESTING ACTIVITIES	61,563	59,922

NET INCREASE IN CASH AND CASH EQUIVALENTS	28,048	7,443
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	50,158	42,715
CASH AND CASH EQUIVALENTS-END OF THE YEAR	\$ 78,206	\$ 50,158

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

OPERATING LOSS	\$ (338,229)	\$ (388,655)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
DEPRECIATION/AMORTIZATION EXPENSE	280,099	242,929
CHANGES IN ASSETS AND LIABILITIES:		
RECEIVABLES	(78,751)	4,511
INVENTORIES	18	(2,966)
OTHER ASSETS	(10,872)	(10,035)
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	(1,098)	84,439
UNEARNED REVENUE	(27,466)	11,405
OTHER LONG-TERM LIABILITIES	62,218	42,794
U.S. GOVERNMENTAL GRANTS REFUNDABLE	154	(5,144)
LOANS TO STUDENTS	(1,353)	630
NET CASH USED BY OPERATING ACTIVITIES	\$ (115,280)	\$ (20,092)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

STOCK GIFTS	\$ 11,500	\$ 11,318
INCREASE IN INTEREST IN SEATTLE CANCER CARE ALLIANCE	7,508	6,509
NET UNREALIZED GAINS (LOSSES)	191,376	(43,034)
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	\$ 210,384	\$ (25,207)

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, 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 (see Note 14).

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 \$173,566,000 and \$145,502,000 in 2013 and 2012, 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, Harborview Medical Center (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 \$14,614,000 and \$13,116,000 in 2013 and 2012, 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 \$323,144,000 and \$285,108,000 in 2013 and 2012, respectively. They collectively have long-term debt of \$333,450,000 and \$371,230,000 in 2013 and 2012, respectively. These amounts are reflected in the University's financial statements. Fiscal year 2012 balances also include Twenty-Fifth Avenue Properties, which

was dissolved during fiscal year 2013 as described in "Changes in Reporting Entity."

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 303-bed full-service acute care hospital and 22 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 \$89,146,000 and \$81,638,000 in "Other Assets," together with \$7,508,000 and \$6,509,000 in "Investment Income," for its share of the joint venture in 2013 and 2012, 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 \$17,937,000 and \$15,767,000 in 2013 and 2012, respectively.

CHANGES IN REPORTING ENTITY

In fiscal year 2012, the University refunded three series of lease-backed "63-20" bonds as part of the Series 2011A University of Washington General Revenue Bonds issue. The refunded bonds were Series 1996 Community Development Properties—Commodore Duchess, Series 1999A Educational Research Properties, and Series 2000 Radford Court Properties. As a result of this refunding, the three entities that issued the lease-backed 63-20 bonds have been dissolved and, therefore, are no longer component units of the University.

Due to additional refundings during fiscal year 2012, capital assets and the associated debt which had been held by the University of Washington Alumni Association are now being carried by the University. The remaining assets and liabilities are not material to the University, therefore, this entity is no longer reported as a blended component unit of the University. As a result of this change, \$10,693,000 of Alumni Association Net Position was removed from the University's Statements of Net Position and reflected as "Other Nonoperating Revenues (Expenses)" on the Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2012.

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, 2011, the University adopted GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," an amendment of GASB Statements No. 14 and No. 34. This Statement modified existing requirements for the assessment of potential component units and their inclusion in the financial reporting entity, and requirements regarding financial statement presentation and disclosure. There was no impact to the University's definition of the reporting entity as a result of the implementation of this Statement.

The University reports its BTA activities in a single column for financial statement presentation purposes, which includes the data for its blended component units. Statement

No. 61 includes a requirement to present condensed combining information in the notes to the financial statements regarding these component units in such cases. This information can be found in Note 18. Combining information for the University's discretely presented component units can be found in Note 19.

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 amends the net asset reporting requirements of Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments," and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required

Notes to Financial Statements (CONTINUED)

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.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In June 2011, GASB issued Statement No. 65, “Items Previously Reported as Assets and Liabilities,” which specifically identifies transactions qualifying for reporting as Deferred Outflows of Resources and Deferred Inflows of Resources, as required in GASB 63. The standard is effective for fiscal year 2014. The University is currently analyzing the financial statement impact of this statement.

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. It 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, this statement will require the University to recognize its proportionate share of the state-wide net liability for each of these plans. 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 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, 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 supplemental component of the University of Washington Retirement Plan (UWRP) (Note 16) is based on an actuarial valuation. 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 17) is estimated through an 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 \$76,371,000 and \$69,299,000 during 2013 and 2012, respectively. Of those costs, the University capitalized \$19,171,000 and \$28,117,000 during 2013 and 2012, respectively.

Unearned Revenues. Unearned revenues occur when funds have been collected in advance of an event, 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 3.7% 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. Annual leave accrued at June 30, 2013 and 2012 was \$86,902,000 and \$86,290,000, respectively, and is included in Accrued Liabilities. Sick leave accrued as of June 30, 2013 and 2012 was \$35,878,000 and \$34,630,000, 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 Service 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. Charity care is excluded from net patient service 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 service 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.

Charity Care. Based on established rates, the charges for patient services forgone as a result of charity care during the years ended June 30, 2013 and 2012 were \$81,347,000 and \$79,339,000, 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 \$32,000,000 and \$32,100,000 in fiscal years 2013 and 2012, respectively.

State Appropriations. The state of Washington appropriates funds to the University on both annual and biennial bases. These revenues are reported as nonoperating 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 funds;

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.

Reclassifications. Certain amounts in the 2012 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2013 financial statements.

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, is covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool

administered by the Washington Public Deposit Protection Commission (PDPC). As of January 1, 2013 balances in excess of FDIC limits are being covered by the collateral of the PDPC.

At June 30, 2013 and 2012, bank balances of \$1,000,000 and \$54,656,000, respectively, were insured by the FDIC and balances of \$88,742,000 and \$0, respectively, were 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 \$70,392,000 and \$69,039,000 at June 30, 2013 and 2012, respectively, consist of \$54,943,000 and \$54,670,000 from federal programs and \$15,449,000 and \$14,369,000 from University programs. Interest income from student loans for the years ended June 30, 2013 and 2012 was \$1,331,000 and \$1,781,000, respectively. These unsecured loans are made primarily to students who reside in the state of Washington.

NOTE 5:

Accounts Receivable

The major components of accounts receivable as of June 30, 2013 and 2012 were:

<i>(Dollars in thousands)</i>	2013	2012
PATIENT SERVICES, NET	\$ 285,378	\$ 272,166
GRANTS AND CONTRACTS	189,134	165,391
SALES AND SERVICES	23,444	22,051
TUITION	15,004	13,951
DUE FROM OTHER AGENCIES	42,649	29,521
ROYALTIES	25,201	12,591
INVESTMENTS	37,308	19,368
STATE APPROPRIATIONS	5,364	24,647
OTHER	28,423	18,557
	651,905	578,243
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(77,553)	(81,299)
TOTAL	\$ 574,352	\$ 496,944

Notes to Financial Statements (CONTINUED)

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 at June 30, 2013 and 2012 are listed in Table 1.

net deficiency from the original gift value is \$18,297,000 and \$41,598,000 at June 30, 2013 and 2012, 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 \$49,575,000 at June 30, 2013 compared to \$49,099,000 at June 30, 2012. Income received from these trusts, which is included in Investment Income, was \$2,224,000 for the year ended June 30, 2013 and \$2,328,000 for the year ended June 30, 2012.

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 \$72,750,000 and \$7,902,000 in 2013 and 2012, 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 (depreciation) in the fair value of investments during the years ended June 30, 2013 and 2012 was \$264,126,000 and \$(35,132,000), respectively.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2013 and 2012, the University had outstanding commitments to fund alternative investments of \$191,669,000 and \$236,531,000, respectively.

SECURITIES LENDING

The University's investment policies permit it to lend its securities to broker dealers and other entities. Due to market conditions, the University suspended this program in September 2008. As of June 30, 2013 and 2012, the University had no securities on loan.

TABLE 1 – UNIVERSITY INVESTMENTS

(Dollars in thousands)

Investment Type	Carrying Value	
	2013	2012
CASH EQUIVALENTS	\$ 256,781	\$ 243,017
FIXED INCOME	1,655,711	1,726,157
EQUITY	1,287,084	974,827
NON-MARKETABLE ALTERNATIVES*	362,632	405,866
ABSOLUTE RETURN*	404,416	332,359
REAL ASSETS*	165,792	166,461
MISCELLANEOUS	5,917	7,343
TOTAL INVESTMENTS	\$ 4,138,333	\$ 3,856,030

* 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, 2013, the Invested Funds Pool totaled \$1,564,368,000 compared to \$1,386,561,000 at June 30, 2012. The Invested Funds Pool also owns units in the Consolidated Endowment Fund valued at \$468,187,000 on June 30, 2013 and \$422,817,000 on June 30, 2012. 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. Campus depositors received 2.0% in fiscal years 2013 and 2012. Endowment operating and gift accounts received 3% in both fiscal years 2013 and 2012 with the distributions directed to University Advancement. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in a pooled fund called the Consolidated Endowment Fund (CEF). Individual endowments purchase units in the pool on the basis of a per-unit valuation of the CEF at fair value on the last business

day of the calendar quarter. Income is distributed based on the number of units held. RCW 24.55 of the Washington State Code and the Uniform Prudent Management of Institutional Funds Act allow for total return expenditure under comprehensive prudent standards.

Under the CEF spending policy approved by the Board of Regents, quarterly distributions to programs are based on an annual percentage rate of 4%, applied to the five-year rolling average of the CEF's market valuation. Additionally, the policy allows for an administrative fee of 1% supporting campus-wide fundraising and stewardship activities (0.80%) and offsetting the internal cost of managing endowment assets (0.20%). This policy was effective with the December 2010 quarterly distributions with the five-year averaging period implemented incrementally.

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

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, 2013 and 2012, categorized by type, the changes in fair value and the counterparty credit ratings of such derivatives for the years then ended are as follows:

TABLE 2 – INVESTMENT DERIVATIVES (Dollars in thousands)

Notional Amount			Fair Value as of June 30			Changes in Fair Value			Counterparty Credit Rating	
DESCRIPTION	2013	2012	ASSET CLASSIFICATION	2013	2012	INCOME CLASSIFICATION	2013	2012	2013	2012
FUTURES CONTRACTS	\$ 34,462	\$ 86,732	INVESTMENTS	\$ 34,278	\$ 90,732	INVESTMENT INCOME	\$ 184	\$ 8,336	NA	NA

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, 2013 or June 30, 2012. 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 2.95 and 2.84 years at June 30, 2013 and 2012, 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 Invested Funds' cash pool requires each manager to maintain an average quality rating of "AA" as issued by a nationally

recognized rating organization. The Invested Funds' liquidity pool requires each manager to maintain an average quality rating of "A" and to hold 25% of their portfolios in government and government agency issues. The Investment Policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investment to investment grade credits.

Duration and credit risk figures at June 30, 2013 and 2012 exclude \$53,541,000 and \$150,232,000, respectively, of fixed-income securities held outside the CEF and the Invested Funds Pool. These amounts make up 2.80% and 7.63%, 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, 2013 and 2012, along with credit quality and effective duration measures is summarized as follows:

Notes to Financial Statements (CONTINUED)

TABLE 3 – FIXED INCOME: CREDIT QUALITY AND EFFECTIVE DURATION (Dollars in thousands)

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

2012						
Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. TREASURIES	\$ 825,433	\$ –	\$ –	\$ –	\$ 825,433	3.20
U.S. GOVERNMENT AGENCY	632,353	–	–	–	632,353	2.61
MORTGAGE BACKED	–	64,500	16,739	5,920	87,159	3.59
ASSET BACKED	–	122,815	3,757	–	126,572	2.02
CORPORATE AND OTHER	–	142,890	151	4,384	147,425	1.62
TOTAL	\$ 1,457,786	\$ 330,205	\$ 20,647	\$ 10,304	\$ 1,818,942	2.84

*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, 2013 and 2012 of \$771,070,000 and \$637,514,000, respectively.

TABLE 4 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)	June 30, 2013	June 30, 2012
EURO (EUR)	\$ 114,213	\$ 70,764
CHINESE RENMINBI (RMB)	73,109	52,213
INDIAN RUPEE (INR)	65,686	49,802
BRITISH POUND (GBP)	51,193	67,889
BRAZILIAN REAL (BRL)	47,956	36,451
RUSSIAN RUBLE (RUB)	47,302	38,328
JAPANESE YEN (JPY)	45,735	48,273
SWISS FRANC (CHF)	36,888	22,876
SOUTH KOREAN WON (KRW)	29,477	22,465
CANADIAN DOLLAR (CAD)	27,109	28,153
HONG KONG DOLLAR (HKD)	24,285	24,181
TAIWANESE DOLLAR (TWD)	23,796	13,159
PHILIPPINE PESO (PHP)	22,737	12,309
INDONESIA RUPIAH (IDR)	19,301	12,829
REMAINING CURRENCIES	142,283	137,822
TOTAL	\$ 771,070	\$ 637,514

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 1900's, 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, Inc. entered into a lease agreement for office, retail and parking facilities which will expire in 2014. On January 19, 1980, the Board of Regents of the University entered into a lease with the Urban/ Four Seasons Hotel Venture for the

Olympic Hotel property, which will expire in 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, 2013 and 2012 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 \$146,350,000 and \$135,236,000, respectively, and are net of the outstanding balance of the line of credit.

The Metropolitan Tract credit line, which had an initial termination date of June 30, 2009, was amended and extended in June 2011, 2012 and 2013. The most recent amendment extended the line of credit to June 30, 2014, and reduced the credit line to \$8,500,000. The credit line is secured by future revenues of the Metropolitan Tract. As of June 30, 2013 and 2012, \$8,500,000 was outstanding on the credit line.

On September 20, 2013, the University exercised its option to terminate its lease with Unico for the Cobb Building (and take possession of certain leasehold improvements) in 2014. The termination payment amount has not been determined as of the date of this report.

NOTE 8:

Capital Assets

Capital asset activity for the two-year period ended June 30, 2013 is summarized as follows:

<i>(Dollars in thousands)</i>	Balance at June 30, 2011	Additions/ Transfers	Retirements	Balance at June 30, 2012	Additions/ Transfers	Retirements	Balance at June 30, 2013
LAND	\$ 121,777	\$ 1,893	\$ 6,056	\$ 117,614	\$ 9,793	\$ 2,019	\$ 125,388
INFRASTRUCTURE	184,020	7	–	184,027	9,975	–	194,002
BUILDINGS	3,762,604	242,763	38,679	3,966,688	735,071	14,510	4,687,249
FURNITURE, FIXTURES, AND EQUIPMENT	1,102,723	87,448	37,069	1,153,102	120,700	69,633	1,204,169
LIBRARY MATERIALS	297,431	8,937	1,600	304,768	12,481	1,645	315,604
CAPITALIZED COLLECTIONS	5,699	52	–	5,751	1,134	–	6,885
INTANGIBLE ASSETS	41,283	26,164	3	67,444	5,663	–	73,107
CONSTRUCTION IN PROGRESS	448,805	272,123	–	720,928	(253,342)	–	467,586
INTANGIBLES IN PROCESS	4,896	3,003	1,371	6,528	6,893	–	13,421
TOTAL	5,969,238	642,390	84,778	6,526,850	648,368	87,807	7,087,411
LESS ACCUMULATED DEPRECIATION/ AMORTIZATION:							
INFRASTRUCTURE	82,088	4,199	–	86,287	4,566	–	90,853
BUILDINGS	1,536,053	130,682	32,401	1,634,334	157,299	9,137	1,782,496
FURNITURE, FIXTURES, AND EQUIPMENT	879,017	70,396	24,238	925,175	93,621	66,762	952,034
LIBRARY MATERIALS	204,033	12,482	598	215,917	14,861	1,187	229,591
INTANGIBLE ASSETS	21,561	25,170	3	46,728	9,752	–	56,480
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	2,722,752	242,929	57,240	2,908,441	280,099	77,086	3,111,454
CAPITAL ASSETS, NET	\$ 3,246,486	\$ 399,461	\$ 27,538	\$ 3,618,409	\$ 368,269	\$ 10,721	\$ 3,975,957

Notes to Financial Statements (CONTINUED)

NOTE 9:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the two-year period ended June 30, 2013 is summarized as follows:

<i>(Dollars in thousands)</i>	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Current Portion 2012	Current Portion 2013
BONDS PAYABLE:									
GENERAL OBLIGATION BONDS PAYABLE (NOTE 11)	\$ 209,239	\$ 15,935	\$ 30,560	\$ 194,614	\$ 11,435	\$ 26,110	\$ 179,939	\$ 14,240	\$ 14,895
REVENUE BONDS PAYABLE (NOTE 11)	1,073,370	478,945	171,650	1,380,665	299,425	19,975	1,660,115	19,975	40,900
UNAMORTIZED PREMIUM ON BONDS	21,304	66,032	6,631	80,705	32,558	11,642	101,621	7,480	8,153
TOTAL BONDS PAYABLE	1,303,913	560,912	208,841	1,655,984	343,418	57,727	1,941,675	41,695	63,948
NOTES PAYABLE AND CAPITAL LEASES:									
NOTES PAYABLE & OTHER – CAPITAL ASSET RELATED (NOTE 11)	109,432	11,939	91,571	29,800	3,337	6,784	26,353	3,967	2,671
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 11)	1,397	20	450	967	419	208	1,178	103	387
CAPITAL LEASE OBLIGATIONS (NOTE 10)	7,998	4,901	4,279	8,620	16,629	3,422	21,827	3,404	4,724
TOTAL NOTES PAYABLE AND CAPITAL LEASES	118,827	16,860	96,300	39,387	20,385	10,414	49,358	7,474	7,782
OTHER LONG-TERM LIABILITIES:									
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	31,743	–	1,516	30,227	1,354	79	31,502	3,866	799
POLLUTION REMEDIATION LIABILITY (NOTE 1)	6,000	–	–	6,000	7,000	–	13,000	–	–
SICK LEAVE (NOTE 1)	31,491	7,641	4,502	34,630	5,842	4,594	35,878	4,336	4,548
SELF-INSURANCE (NOTE 17)	50,092	24,839	12,012	62,919	28,605	11,816	79,708	12,953	11,914
NET PENSION OBLIGATION (NOTE 16)	99,124	30,381	2,040	127,465	38,550	2,643	163,372	1,987	2,341
TOTAL OTHER LIABILITIES	218,450	62,861	20,070	261,241	81,351	19,132	323,460	23,142	19,602
TOTAL LONG-TERM LIABILITIES	\$ 1,641,190	\$ 640,633	\$ 325,211	\$ 1,956,612	\$ 445,154	\$ 87,273	\$ 2,314,493	\$ 72,311	\$ 91,332

DISCRETE COMPONENT UNITS

Long-term liability activity for the two-year period ended June 30, 2013 is summarized as follows:

<i>(Dollars in thousands)</i>	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Current Portion 2012	Current Portion 2013
VALLEY MEDICAL CENTER									
LIMITED TAX GENERAL OBLIGATION BONDS	\$ 262,021	\$ 35,636	\$ 42,195	\$ 255,462	\$ –	\$ 5,892	\$ 249,570	\$ 5,995	\$ 6,145
REVENUE BONDS	22,460	–	1,072	21,388	–	1,230	20,158	1,445	1,520
BUILD AMERICA BONDS	61,155	–	–	61,155	–	–	61,155	–	–
NOTES PAYABLE & OTHER	3,593	–	1,728	1,865	–	765	1,100	765	772
TOTAL LONG-TERM LIABILITIES	\$ 349,229	\$ 35,636	\$ 44,995	\$ 339,870	\$ –	\$ 7,887	\$ 331,983	\$ 8,205	\$ 8,437
NORTHWEST HOSPITAL									
REVENUE BONDS	\$ 79,900	\$ –	\$ 1,900	\$ 78,000	\$ –	\$ 2,000	\$ 76,000	\$ 2,000	\$ 2,600
NOTES PAYABLE & CAPITAL LEASES	18,156	4,861	4,626	18,391	–	1,537	16,854	1,650	1,625
TOTAL LONG-TERM LIABILITIES	\$ 98,056	\$ 4,861	\$ 6,526	\$ 96,391	\$ –	\$ 3,537	\$ 92,854	\$ 3,650	\$ 4,225

NOTE 10:

Leases

Future minimum lease payments under capital leases, and the present value of the net minimum lease payments, as of June 30, 2013, are as follows:

CAPITAL LEASES

Year <i>(Dollars in thousands)</i>	Future Payments
2014	\$ 4,724
2015	4,401
2016	3,131
2017	2,772
2018	1,982
THEREAFTER	6,948
TOTAL MINIMUM LEASE PAYMENTS	23,958
LESS: AMOUNT REPRESENTING INTEREST COSTS	2,131
PRESENT VALUE OF MINIMUM PAYMENTS	\$ 21,827

Buildings and equipment under capital leases were as follows:

<i>(Dollars in thousands)</i>	Balance at June 30, 2011	Additions	Retirements	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013
EQUIPMENT	\$ 28,183	\$ 4,901	\$ 4,022	\$ 29,062	\$ 16,630	\$ 14,989	\$ 30,703
REAL ESTATE	9,987	–	–	9,987	–	–	9,987
TOTAL	38,170	4,901	4,022	39,049	16,630	14,989	40,690
LESS ACCUMULATED DEPRECIATION:							
EQUIPMENT	22,204	2,814	4,022	20,996	5,027	14,989	11,034
REAL ESTATE	9,987	–	–	9,987	–	–	9,987
TOTAL ACCUMULATED DEPRECIATION	32,191	2,814	4,022	30,983	5,027	14,989	21,021
LEASED CAPITAL ASSETS, NET	\$ 5,979	\$ 2,087	\$ –	\$ 8,066	\$ 11,603	\$ –	\$ 19,669

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, 2013 and 2012, the University recorded rent expenses of \$31,303,000 and \$29,299,000, respectively, for these leases. Future lease payments under these leases as of June 30, 2013 are as follows:

Years	<i>(Dollars in Thousands)</i>
2014	\$ 45,436
2015	41,472
2016	31,794
2017	22,600
2018	21,028
2019-2023	76,005
2024-2028	31,945
2029-2033	21,328
THEREAFTER	64,764
TOTAL MINIMUM LEASE PAYMENTS	\$ 356,372

NOTE 11:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2013 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 6.50%. Debt service requirements at June 30, 2013 were as follows:

BONDS AND NOTES PAYABLE <i>(Dollars in thousands)</i>						
Year	STATE OF WASHINGTON GENERAL OBLIGATION BONDS		UNIVERSITY OF WASHINGTON REVENUE BONDS		NOTES PAYABLE AND OTHER	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 14,895	\$ 8,782	\$ 40,900	\$ 79,832	\$ 3,058	\$ 1,055
2015	15,459	8,070	36,025	77,544	3,522	942
2016	18,290	7,197	38,375	75,906	2,820	841
2017	17,620	6,305	39,860	74,281	2,935	733
2018	14,300	5,409	39,110	72,652	2,822	612
2019 - 2023	60,810	17,411	215,205	335,615	10,953	1,344
2024 - 2028	36,940	3,641	229,740	281,411	1,059	80
2029 - 2033	1,625	33	230,630	221,827	200	1
2034 - 2038	–	–	398,445	155,157	162	–
2039 - THEREAFTER	–	–	391,825	48,789	–	–
TOTAL PAYMENTS	\$ 179,939	\$ 56,848	\$ 1,660,115	\$ 1,423,014	\$ 27,531	\$ 5,608

Notes to Financial Statements (CONTINUED)

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. The University has pledged the net revenues from a special student fee to retire the related revenue bonds.

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 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; expansion of the UW Medical Center; improvements at the University's Bothell and Tacoma campuses; and construction of the new Molecular Engineering Building. In addition, proceeds were used to pay \$75,000,000 in commercial paper. The 2012C bonds have coupon rates ranging from 2.00% to 5.00% with an average coupon rate of 3.61%. The average life of the 2012C General Revenue bonds is 21.75 years with final maturity on July 1, 2043.

REFUNDING ACTIVITY

On July 28, 2011, the University issued \$211,370,000 in General Revenue & Refunding Bonds, 2011A. Part of the proceeds were used to refund 63-20 financings issued through third parties. The amount refunded was \$89,320,000; the new par was \$74,515,000 (plus premium of \$8,148,000 and debt service reserve contributions of \$8,582,000). The refunded bonds had coupon rates ranging from 5.00% to 6.60%; the new bonds have an average interest rate of 4.623%. The refunding decreased the total debt service payments to be made over the next 20.68 years by \$16,967,000 and resulted in a total economic gain of \$13,703,000. The average life of the 2011A General Revenue bonds (new money only) is 15.0 years with final maturity on April 1, 2035. The average interest rate of these bonds is 4.839%.

On November 9, 2011, the state of Washington refunded General Obligation Bonds totaling \$7,420,000 (UW

portion) with new bond issuances totaling \$7,190,000 and premium of \$1,030,000. The refunded bonds had a coupon rate of 5.00%; the new bonds have an average interest rate of 4.90%. The refunding decreased the total debt service payments to be made over the next 14 years by \$649,000 and resulted in a total economic gain of \$470,000.

On February 21, 2012, the state of Washington refunded General Obligation Bonds totaling \$9,600,000 (UW portion) with new bond issuances totaling \$8,745,000 (plus premium of \$1,631,000). 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 14 years by \$2,722,000 and resulted in a total economic gain of \$1,733,000.

On March 7, 2012, the University issued \$267,570,000 in General Revenue & Refunding Bonds, 2012 A&B, at a premium of \$42,054,000. A portion of the proceeds were used to refund existing debt. The amount refunded was \$62,035,000; the new par value was \$50,335,000 (plus premium of \$9,295,000). The refunded bonds had coupon rates ranging from 3.50% to 5.50% with an average interest rate of 4.99%; the new bonds have an average interest rate of 4.79%. The refunding decreased the total debt service payments to be made over the next 11.7 years by \$8,221,000 and resulted in a total economic gain of \$7,972,000. The average life of the 2012 A&B General Revenue bonds is 20.0 years with final maturity on July 1, 2041. The average interest rate of these bonds is 4.99%.

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 5 years by \$837,000 and resulted in a total economic gain of \$815,000.

Combined COP Refunding:

On August 24, 2011, the state of Washington refunded Certificates of Participation (COP) totaling \$11,370,000 with new COP issuances totaling \$10,310,000 (plus premium of \$1,352,000). The refunding decreased the total debt service payments to be made over the next 11 years by \$1,625,000 and resulted in a total economic gain of \$1,412,000.

On March 19, 2013, the state of Washington refunded 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, 2013 and 2012, there was \$25,000,000 and \$25,000,000, respectively, in outstanding commercial paper.

During fiscal year 2012, the University issued \$75,000,000 and retired \$100,000,000 of commercial paper debt.

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

SUBSEQUENT DEBT OFFERING

On August 5, 2013, the University issued \$20,000,000 in short-term commercial paper.

On September 5, 2013, the University issued General Revenue Bonds Series 2013. Par value of the bonds is \$146,400,000, and total bond proceeds were \$155,000,000. The proceeds will be used to partially finance renovations to Husky Stadium, implementation of the Housing and Food Services Master Capital Plan, Phases 2 and 3, and construction of Husky Ballpark. In addition, bond proceeds were used to pay off \$20,000,000 in commercial paper issued on August 5, 2013.

NOTE 12:

Pledged Revenues

The University has pledged specific revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

<i>(Dollars in thousands)</i> Source of Revenue Pledged	Total Future Revenues Pledged*	Description of Debt	Purpose of Debt	Term of Commitment	Proportion of Current Year Debt Service to Current Year Pledged Revenues
Student Facilities Fees and earnings on invested fees	\$ 58,161	Student Facilities Refunding Revenue Bonds issued in 2005	Construction of student recreational sports facilities	2030	19.2%

* Total future principal and interest payments on the debt

NOTE 13:

Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2013 and 2012 are summarized as follows:

<i>(Dollars in thousands)</i> Operating Expenses	2013	2012
INSTRUCTION	\$ 987,945	\$ 935,666
RESEARCH	756,162	777,040
PUBLIC SERVICE	47,818	40,330
ACADEMIC SUPPORT	261,222	248,391
STUDENT SERVICES	36,322	37,029
INSTITUTIONAL SUPPORT	200,872	192,139
OPERATION & MAINTENANCE OF PLANT	206,510	173,742
SCHOLARSHIPS & FELLOWSHIPS	140,897	107,704
AUXILIARY ENTERPRISES	203,615	194,949
MEDICAL-RELATED	999,687	961,106
DEPRECIATION/AMORTIZATION	280,099	242,929
TOTAL OPERATING EXPENSES	\$ 4,121,149	\$ 3,911,025

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, and 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 registrar. The

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

Notes to Financial Statements (CONTINUED)

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, such as bond related costs, spread over their estimated useful lives.

NOTE 14:

Related Parties

Harborview Medical Center (HMC), a hospital and Level I adult and pediatric trauma center 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 of Washington. 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 \$23,404,000 in 2013 and \$25,365,000 in 2012, as well as

HMC investments of \$2,955,000 and \$2,659,000, respectively, and accrued liabilities of \$18,526,000 and \$17,952,000, respectively.

The University of Washington Foundation (UWF) is a nonprofit organization that performs fundraising activities on behalf of the University of Washington. 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 2013 and 2012, the UWF transferred \$64,813,000 and \$50,516,000, 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 \$2,491,000 and \$2,456,000 from the University in support of its operations in fiscal years 2013 and 2012, respectively.

During fiscal years 2013 and 2012, UWMC provided \$2,100,000 and \$4,100,000, respectively, to Northwest Hospital (NWH, a discrete component unit of the University) to mitigate the negative impact of several state program reductions including the hospital safety net funding. These amounts are 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 and \$1,171,000, respectively, of capital funding was also provided by UWMC to NWH, and is reflected by the University in Other Nonoperating Revenues (Expenses) and by NWH in Capital Grants, Gifts and Other.

During fiscal year 2012, in support of strategic program expansion, \$6,400,000 of operational funding was provided by UWMC to NWH, which is reflected by the University in Other Nonoperating Revenues (Expenses), and by NWH in Other Operating Revenue (\$2,000,000) and in Other Nonoperating Revenues (\$4,400,000).

Other Post Employment Benefits (OPEB)

Healthcare and life insurance programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health 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 elected by the employee.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The healthcare premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of retirees.

An additional factor in the OPEB obligation is a payment that is required by the state legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). For both calendar years 2013 and 2012, this amount was \$150 per retiree eligible for parts A and B of Medicare. This is also passed through to state agencies through active employee rates charged to the agency.

There is no formal state or University plan that underlies the subsidy of retiree health and life insurance.

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 cost was \$342 million and \$321 million for the University 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 actuary's allocation of the cumulative statewide liability related to the University and its unconsolidated affiliates, 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 \$289 million and \$297 million for healthcare expenses in 2013 and 2012, respectively, which included its pay-as-you-go portion of the OPEB liability, calculated by the actuary at \$6.8 million and \$7.4 million in 2013 and 2011, respectively.

The State Actuary's report is available at: osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm

Pension Plans

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 with supplemental payments to beneficiaries, when required.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description: The University of Washington 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 Public Employees Retirement System 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 2013 and 2012. 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, 2013 and 2012 was 4.6% 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, 2013 and 2012, for each of PERS Plans 1, 2, and 3 was 7.21% and 7.18% for the respective years.

Notes to Financial Statements (CONTINUED)

The University's contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were \$62,030,000, \$59,708,000, \$42,967,000, respectively, as determined by rates established in accordance with RCW 41.45.

UNIVERSITY OF WASHINGTON RETIREMENT PLAN (403(B)) AND UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (401(A))

Faculty, librarians and professional staff are eligible to participate in the University of Washington Retirement Plan, a 403(b) defined-contribution plan and the UW Supplemental Retirement Plan, a 401(a) defined-benefit retirement plan which operates in tandem with the 403(b) plan. Both plans are 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.

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,

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN

The Unfunded Actuarial Accrued Liability (UAL) and Annual Required Contribution (ARC) as of July 1 of the respective year were:

<i>(Dollars in thousands)</i>	2013	2011	2009
UAL	\$ 292,535	\$ 235,048	\$ 218,036
NORMAL COST	9,529	10,774	8,860
AMORTIZATION OF UAL, INCLUDING INTEREST	29,021	19,607	17,220
ARC	\$ 38,550	\$ 30,381	\$ 26,080

<i>(Dollars in thousands)</i>	2013	2011	2009
Actuarial assumptions			
PAYROLL COVERED BY PLAN	\$ 1,047,000	\$ 1,129,000	\$ 976,000
RATE OF RETURN ASSUMPTION	4.25%	4.25%	5.00%
SALARY INCREASES FOR YEARS 1 AND 2	3%	2%	2%
SALARY INCREASE FOR THIRD YEAR	3%	4%	4%
SALARY INCREASES THEREAFTER	3%	4%	4%

The UAL and ARC were established using the entry age normal cost method.

The following table reflects the activity in the Net Pension Obligation for the years ended June 30, 2013, 2012, and 2011:

<i>(Dollars in thousands)</i>	2013	2012	2011
BALANCE AT BEGINNING OF FISCAL YEAR	\$ 127,465	\$ 99,124	\$ 70,675
ANNUAL REQUIRED CONTRIBUTION	38,550	30,381	30,381
PAYMENTS TO BENEFICIARIES	(2,643)	(2,040)	(1,932)
BALANCE AT END OF FISCAL YEAR	\$ 163,372	\$ 127,465	\$ 99,124

2013 and 2012 were \$90,837,000 and \$86,912,000, respectively.

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.

During the fiscal year ending June 30, 2011, the University amended the supplemental retirement plan, limiting participation to those individuals who were active participants on February 28, 2011.

401(a) Plan Funding: The University received an actuarial valuation of the supplemental payment component of the UWRP with a valuation date of July 1, 2013. The previous evaluations were performed in 2011 and 2009. The University has set aside \$148,270,000 and \$109,588,000 as of June 30, 2013 and 2012, 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.

Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2013 and 2012 were \$156,326,000 and \$568,337,000, respectively. These expenditures will be funded from local funds 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 amount 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. The reserve was discounted at 4% in the year ended June 30, 2011. Beginning in fiscal year 2012, the University is no longer discounting the reserve.

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, 2013, 2012, and 2011 are noted below:

<i>(Dollars in thousands)</i>	2013	2012	2011
RESERVE AT BEGINNING OF FISCAL YEAR	\$ 62,919	\$ 50,092	\$ 57,624
INCURRED CLAIMS AND CHANGES IN ESTIMATES	28,605	24,839	6,361
CLAIM PAYMENTS	(11,816)	(12,012)	(13,893)
RESERVE AT END OF FISCAL YEAR	\$ 79,708	\$ 62,919	\$ 50,092

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 seeking to prevent the Board of Trustees formed by the strategic alliance agreement from exercising "legislative responsibilities of the District's elected commissioners." The 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.

As enacted, the health reform law will change how healthcare services are covered, delivered and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, reductions in Medicare and Medicaid Disproportionate Share Hospital (DSH) payments, and the establishment of programs in which reimbursement is tied to quality and integration. In addition, the law reforms certain aspects of health insurance, expands existing efforts to tie Medicare and Medicaid payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement. Further, it provides for a value-based purchasing program, the establishment of accountable care organizations (ACOs) and bundled payment pilot programs, which may create sources of additional revenue. On June 28, 2012, the United States Supreme Court upheld the constitutionality

of the individual mandate provisions of the health reform law but struck down the provisions that would have allowed Health and Human Services (HHS) to penalize states that do not implement the Medicaid expansion provisions with the loss of existing federal Medicaid funding. States that choose not to implement the Medicaid expansion will forgo funding established by the health reform law to cover most of the expansion costs. The state of Washington has elected to implement Medicaid expansion in order to take advantage of all opportunities associated with healthcare reform. A Health Care Cabinet has been established by the state of Washington and has been tasked with implementing the policies and rules necessary to carry out healthcare reform statewide for all affected state agencies. In October 2013, the Washington Health Benefit Exchange began open enrollment for Washington State residents through Washington Healthplanfinder. The insurance exchange, coupled with penalties for individuals electing to not obtain health insurance and subsidies for individuals meeting certain income thresholds, will likely result in reductions in uninsured and underinsured patients as well as reducing the amount of revenue generated from traditional commercial insurance plans. The reduction of uninsured and underinsured patients will also have an impact on Medicare and DSH reimbursement methodologies. The University has not yet determined the financial impact that this legislation might cause as further provisions become effective.

Notes to Financial Statements (CONTINUED)

NOTE 18:

Blended Component Units

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

(Dollars in thousands)

Statements of Net Position – June 30, 2013	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
ASSETS						
CURRENT ASSETS:						
TOTAL CURRENT ASSETS	\$ 1,459,050	\$ (9,587)	\$ 1,384,933	\$ 83,704	\$ 61,368	\$ 22,336
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	3,732,174	–	3,630,935	101,239	90,137	11,102
CAPITAL ASSETS, NET	3,975,957	–	3,641,225	334,732	11,588	323,144
TOTAL ASSETS	\$ 9,167,181	\$ (9,587)	\$ 8,657,093	\$ 519,675	\$ 163,093	\$ 356,582
LIABILITIES						
TOTAL CURRENT LIABILITIES	\$ 729,414	\$ (28,746)	\$ 662,260	\$ 95,900	\$ 50,194	\$ 45,706
TOTAL NONCURRENT LIABILITIES	2,272,716	–	1,959,076	313,640	–	313,640
TOTAL LIABILITIES	3,002,130	(28,746)	2,621,336	409,540	50,194	359,346
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,038,495	–	2,031,336	7,159	11,588	(4,429)
RESTRICTED:						
NONEXPENDABLE	1,182,986	–	1,182,986	–	–	–
EXPENDABLE	1,344,643	–	1,344,643	–	–	–
UNRESTRICTED	1,598,927	19,159	1,476,792	102,976	101,311	1,665
TOTAL NET POSITION	6,165,051	19,159	6,035,757	110,135	112,899	(2,764)
TOTAL LIABILITIES AND NET POSITION	\$ 9,167,181	\$ (9,587)	\$ 8,657,093	\$ 519,675	\$ 163,093	\$ 356,582

(Dollars in thousands)

Statements of Net Position – June 30, 2012	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
ASSETS						
CURRENT ASSETS:						
TOTAL CURRENT ASSETS	\$ 1,161,106	\$ (3,029)	\$ 1,096,993	\$ 67,142	\$ 48,418	\$ 18,724
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	3,623,928	–	3,433,197	190,731	93,981	96,750
CAPITAL ASSETS, NET	3,618,409	–	3,320,837	297,572	12,464	285,108
TOTAL ASSETS	\$ 8,403,443	\$ (3,029)	\$ 7,851,027	\$ 555,445	\$ 154,863	\$ 400,582
LIABILITIES						
TOTAL CURRENT LIABILITIES	\$ 728,133	\$ (11,426)	\$ 655,129	\$ 84,430	\$ 46,827	\$ 37,603
TOTAL NONCURRENT LIABILITIES	1,933,702	–	1,568,311	365,391	–	365,391
TOTAL LIABILITIES	2,661,835	(11,426)	2,223,440	449,821	46,827	402,994
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,113,238	–	2,186,896	(73,658)	12,464	(86,122)
RESTRICTED:						
NONEXPENDABLE	1,115,854	–	1,115,854	–	–	–
EXPENDABLE	1,161,583	–	1,161,583	–	–	–
UNRESTRICTED	1,350,933	8,397	1,163,254	179,282	95,572	83,710
TOTAL NET POSITION	5,741,608	8,397	5,627,587	105,624	108,036	(2,412)
TOTAL LIABILITIES AND NET POSITION	\$ 8,403,443	\$ (3,029)	\$ 7,851,027	\$ 555,445	\$ 154,863	\$ 400,582

(Dollars in thousands)

Statements of Revenues, Expenses and Changes in Net Position – Year ended June 30, 2013	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	\$ 808,053	\$ –	\$ 808,053	\$ –	\$ –	\$ –
PATIENT SERVICES	1,162,389	(16,942)	991,483	187,848	187,848	–
GRANT REVENUE	1,310,718	–	1,310,718	–	–	–
OTHER OPERATING REVENUE	501,760	(26,003)	504,327	23,436	332	23,104
TOTAL OPERATING REVENUE	3,782,920	(42,945)	3,614,581	211,284	188,180	23,104
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	3,841,050	(75,298)	3,698,200	218,148	209,455	8,693
DEPRECIATION / AMORTIZATION	280,099	–	262,297	17,802	1,648	16,154
TOTAL OPERATING EXPENSES	4,121,149	(75,298)	3,960,497	235,950	211,103	24,847
OPERATING INCOME (LOSS)	(338,229)	32,353	(345,916)	(24,666)	(22,923)	(1,743)
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	218,165	–	218,165	–	–	–
GIFTS	101,823	–	101,823	–	–	–
INVESTMENT INCOME	341,241	–	335,200	6,041	6,037	4
OTHER NONOPERATING REVENUES (EXPENSES)	(31,325)	(21,591)	(21,995)	12,261	21,749	(9,488)
NET NONOPERATING REVENUES (EXPENSES)	629,904	(21,591)	633,193	18,302	27,786	(9,484)
INCOME (LOSS) BEFORE OTHER REVENUES	291,675	10,762	287,277	(6,364)	4,863	(11,227)
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	73,886	–	73,886	–	–	–
GIFTS TO PERMANENT ENDOWMENTS	57,882	–	57,882	–	–	–
TOTAL OTHER REVENUES	131,768	–	131,768	–	–	–
INCREASE (DECREASE) IN NET POSITION	423,443	10,762	419,045	(6,364)	4,863	(11,227)
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)

(Dollars in thousands)

Statements of Revenues, Expenses and Changes in Net Position – Year ended June 30, 2012	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	\$ 681,227	\$ –	\$ 681,227	\$ –	\$ –	\$ –
PATIENT SERVICES	1,097,525	(6,140)	945,137	158,528	158,528	–
GRANT REVENUE	1,301,554	–	1,301,554	–	–	–
OTHER OPERATING REVENUE	442,064	(22,921)	438,588	26,397	90	26,307
TOTAL OPERATING REVENUE	3,522,370	(29,061)	3,366,506	184,925	158,618	26,307
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	3,668,096	(51,048)	3,502,120	217,024	208,117	8,907
DEPRECIATION / AMORTIZATION	242,929	–	231,783	11,146	1,468	9,678
TOTAL OPERATING EXPENSES	3,911,025	(51,048)	3,733,903	228,170	209,585	18,585
OPERATING INCOME (LOSS)	(388,655)	21,987	(367,397)	(43,245)	(50,967)	7,722
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	218,343	–	218,343	–	–	–
GIFTS	76,718	–	76,718	–	–	–
INVESTMENT INCOME	34,123	–	42,121	(7,998)	2,394	(10,392)
OTHER NONOPERATING REVENUES (EXPENSES)	(12,125)	(15,590)	(18,995)	22,460	21,960	500
NET NONOPERATING REVENUES (EXPENSES)	317,059	(15,590)	318,187	14,462	24,354	(9,892)
INCOME (LOSS) BEFORE OTHER REVENUES	(71,596)	6,397	(49,210)	(28,783)	(26,613)	(2,170)
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	31,580	–	31,580	–	–	–
GIFTS TO PERMANENT ENDOWMENTS	53,259	–	53,259	–	–	–
TOTAL OTHER REVENUES	84,839	–	84,839	–	–	–
INCREASE (DECREASE) IN NET POSITION	13,243	6,397	35,629	(28,783)	(26,613)	(2,170)
NET POSITION						
NET POSITION – BEGINNING OF YEAR	5,728,365	2,000	5,591,958	134,407	134,649	(242)
NET POSITION – END OF YEAR	\$ 5,741,608	\$ 8,397	\$ 5,627,587	\$ 105,624	\$ 108,036	\$ (2,412)

Notes to Financial Statements (CONTINUED)

(Dollars in thousands)

Statements of Cash Flows – Year ended June 30, 2013	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	\$ (115,280)	\$ –	\$ (161,271)	\$ 45,991	\$ (23,738)	\$ 69,729
NONCAPITAL FINANCING ACTIVITIES	413,594	–	389,341	24,253	24,253	–
CAPITAL AND RELATED FINANCING ACTIVITIES	(331,829)	–	(325,546)	(6,283)	216	(6,499)
INVESTING ACTIVITIES	61,563	–	124,128	(62,565)	9,769	(72,334)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,048	–	26,652	1,396	10,500	(9,104)
CASH AND CASH EQUIVALENTS –						
BEGINNING OF THE YEAR	50,158	–	28,781	21,377	8,628	12,749
CASH AND CASH EQUIVALENTS – END OF THE YEAR	\$ 78,206	\$ –	\$ 55,433	\$ 22,773	\$ 19,128	\$ 3,645

(Dollars in thousands)

Statements of Cash Flows – Year ended June 30, 2012	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	\$ (20,092)	\$ –	\$ (13,417)	\$ (6,675)	\$ (14,293)	\$ 7,618
NONCAPITAL FINANCING ACTIVITIES	326,470	–	335,400	(8,930)	(8,930)	–
CAPITAL AND RELATED FINANCING ACTIVITIES	(358,857)	–	(290,104)	(68,753)	(2,085)	(66,668)
INVESTING ACTIVITIES	59,922	–	(28,609)	88,531	21,418	67,113
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,443	–	3,270	4,173	(3,890)	8,063
CASH AND CASH EQUIVALENTS –						
BEGINNING OF THE YEAR	42,715	–	25,511	17,204	12,518	4,686
CASH AND CASH EQUIVALENTS – END OF THE YEAR	\$ 50,158	\$ –	\$ 28,781	\$ 21,377	\$ 8,628	\$ 12,749

Discrete Component Units

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

<i>(Dollars in thousands)</i> Statements of Net Position	June 30, 2013			June 30, 2012		
	Total Discrete Component Units	Northwest Hospital	Valley Medical Center	Total Discrete Component Units	Northwest Hospital	Valley Medical Center
ASSETS						
CURRENT ASSETS:						
TOTAL CURRENT ASSETS	\$ 225,288	\$ 81,949	\$ 143,339	\$ 230,100	\$ 67,790	\$ 162,310
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	136,469	50,845	85,624	142,566	46,920	95,646
CAPITAL ASSETS, NET	510,947	123,243	387,704	510,903	123,911	386,992
TOTAL ASSETS	\$ 872,704	\$ 256,037	\$ 616,667	\$ 883,569	\$ 238,621	\$ 644,948
LIABILITIES						
TOTAL CURRENT LIABILITIES	\$ 144,047	\$ 62,615	\$ 81,432	\$ 143,921	\$ 58,711	\$ 85,210
TOTAL NONCURRENT LIABILITIES	412,175	88,629	323,546	424,406	92,741	331,665
TOTAL LIABILITIES	556,222	151,244	404,978	568,327	151,452	416,875
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	93,222	38,227	54,995	99,131	36,010	63,121
RESTRICTED:						
NONEXPENDABLE	1,773	1,773	–	1,719	1,719	–
EXPENDABLE	8,537	809	7,728	8,673	966	7,707
UNRESTRICTED	212,950	63,984	148,966	205,719	48,474	157,245
TOTAL NET POSITION	316,482	104,793	211,689	315,242	87,169	228,073
TOTAL LIABILITIES AND NET POSITION	\$ 872,704	\$ 256,037	\$ 616,667	\$ 883,569	\$ 238,621	\$ 644,948

<i>(Dollars in thousands)</i> Statements of Revenues, Expenses and Changes in Net Position	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Total Discrete Component Units	Northwest Hospital	Valley Medical Center	Total Discrete Component Units	Northwest Hospital	Valley Medical Center
REVENUES						
OPERATING REVENUES:						
PATIENT SERVICES	\$ 741,581	\$ 312,206	\$ 429,375	\$ 704,423	\$ 285,311	\$ 419,112
OTHER OPERATING REVENUE	38,888	15,601	23,287	32,073	14,778	17,295
TOTAL OPERATING REVENUE	780,469	327,807	452,662	736,496	300,089	436,407
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	733,981	299,824	434,157	694,146	283,101	411,045
DEPRECIATION / AMORTIZATION	52,028	19,118	32,910	54,529	21,575	32,954
TOTAL OPERATING EXPENSES	786,009	318,942	467,067	748,675	304,676	443,999
OPERATING INCOME (LOSS)	(5,540)	8,865	(14,405)	(12,179)	(4,587)	(7,592)
NONOPERATING REVENUES (EXPENSES)						
PROPERTY TAX REVENUE	16,254	–	16,254	17,818	–	17,818
INVESTMENT INCOME	7,519	4,569	2,950	6,767	1,963	4,804
OTHER NONOPERATING EXPENSES	(25,333)	(4,150)	(21,183)	(21,006)	(77)	(20,929)
NET NONOPERATING REVENUES	(1,560)	419	(1,979)	3,579	1,886	1,693
INCOME (LOSS) BEFORE OTHER REVENUES	(7,100)	9,284	(16,384)	(8,600)	(2,701)	(5,899)
CAPITAL GRANTS, GIFTS AND OTHER	8,340	8,340	–	1,263	1,263	–
INCREASE (DECREASE) IN NET POSITION	1,240	17,624	(16,384)	(7,337)	(1,438)	(5,899)
NET POSITION						
NET POSITION – BEGINNING OF YEAR	315,242	87,169	228,073	322,579	88,607	233,972
NET POSITION – END OF YEAR	\$ 316,482	\$ 104,793	\$ 211,689	\$ 315,242	\$ 87,169	\$ 228,073



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* As of June 30, 2013

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