UNIVERSITY *of* WASHINGTON | TREASURY OFFICE

2021 **BONDHOLDERS REPORT**

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2021 **BONDHOLDERS REPORT**

TABLE OF CONTENTS

University of Washington

2021 BONDHOLDERS REPORT

This report includes financial and operating information on the University of Washington (the “University”).

As a preface to reviewing the materials, we suggest starting with the University’s Financial Report, which highlights the accomplishments, opportunities and challenges facing the University. The enclosed audited financial statements are as of June 30, 2021, the University’s fiscal year end.

Also included is a supplemental report, which includes additional financial and operating information, provided for the benefit of the holders and beneficial owners of the bonds. This section includes some information that is also provided in the University’s financial report. This information may contain adjustments resulting from changes in methodology or timing.

If you have comments, questions or need additional information, please feel free to contact us using the information shown below.

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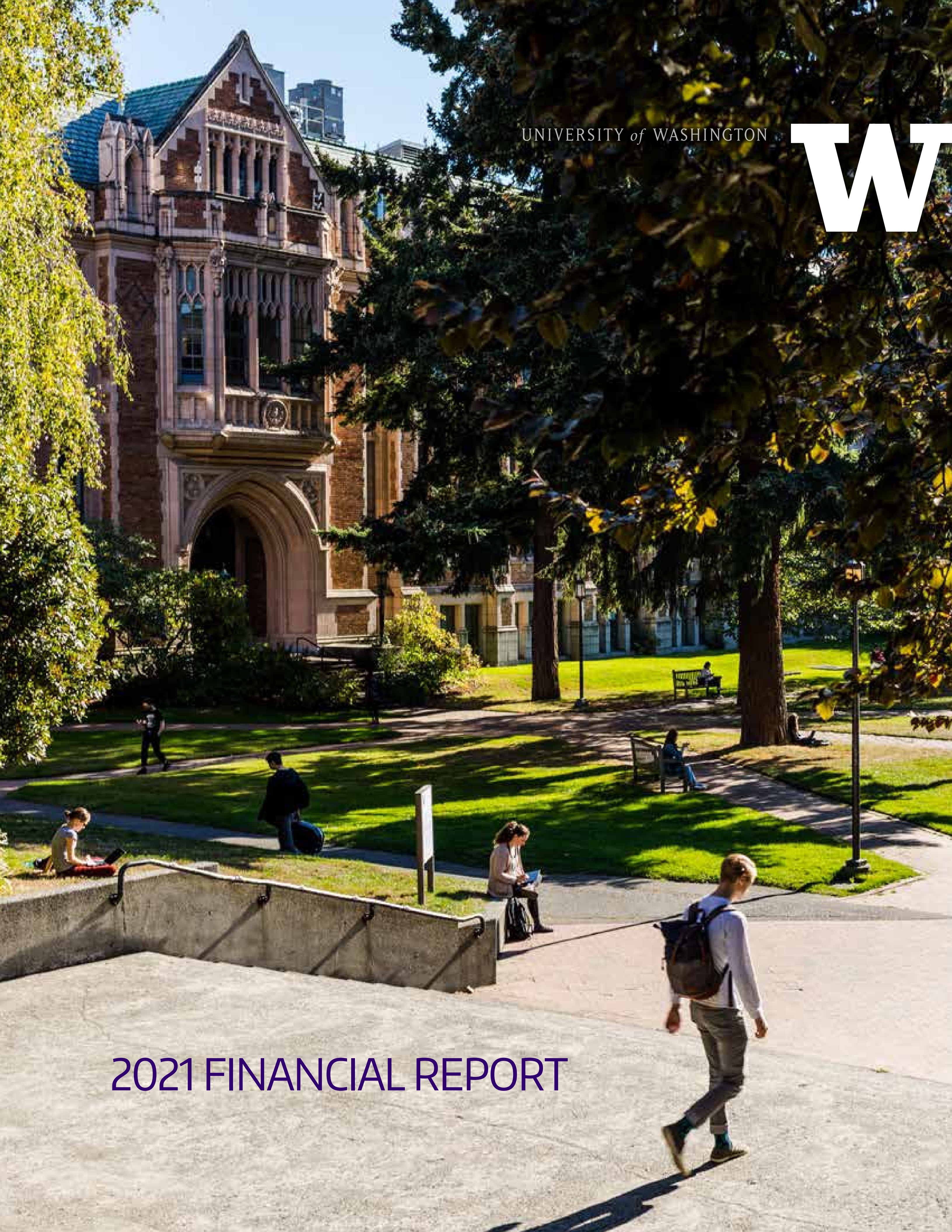

UNIVERSITY *of* WASHINGTON

2021 FINANCIAL REPORT

Table of Contents

University Facts

	FISCAL YEAR 2021 Academic Year 2020-2021	FISCAL YEAR 2016 Academic Year 2015-2016	FISCAL YEAR 2011 Academic Year 2010-2011
STUDENTS			
Autumn Enrollment (headcount)			
Undergraduate	43,069	40,163	35,615
Graduate	15,148	13,595	12,389
Professional	2,201	2,009	1,936
TOTAL	**60,418**	**55,767**	**49,940**
Professional and Continuing Education - Course and Conference Registrations	68,653	78,426	64,961
Number of Degrees Awarded			
Bachelor's	11,821	10,589	9,325
Master's	4,920	4,072	3,524
Doctoral	870	803	723
Professional	628	518	528
TOTAL	**18,239**	**15,982**	**14,100**
FACULTY[1]	5,204	4,703	4,235
FACULTY AND STAFF[2]	30,928	28,910	25,143
RESEARCH FUNDING - ALL SOURCES *(in thousands of dollars)*	$ 1,890,274	$ 1,367,366	$ 1,396,435
SELECTED REVENUES *(in thousands of dollars)*			
Medical Centers and Related Revenues[3]	$ 3,185,974	$ 2,459,792	$ 1,385,522
Gifts, Grants and Contracts	1,833,394	1,457,142	1,445,628
Tuition and Fees[4]	1,032,697	948,751	594,915
Auxiliary Enterprises and Other Revenues	836,694	623,438	393,850
State Operating Appropriations	480,826	302,097	296,769
Investment Income	1,341,974	44,877	394,670
SELECTED EXPENSES *(in thousands of dollars)*			
Medical-Related[3]	$ 2,476,472	$ 2,152,161	$ 1,160,595
Instruction, Academic Support, and Student Services	2,205,548	1,772,651	1,335,158
Institutional Support and Physical Plant	940,900	830,617	569,618
Research and Public Service	908,679	790,218	821,081
Auxiliary Enterprises	517,531	422,474	169,876
CONSOLIDATED ENDOWMENT FUND[5] *(in thousands of dollars)*	$ 4,712,000	$ 2,968,000	$ 2,154,000
SQUARE FOOTAGE[6] *(in thousands of square feet)*	29,208	23,129	21,655

1. Prior to 2018, this number represents headcount for core faculty (Professorial, Instructional and Research). Starting in 2018, this number represents full time faculty from all campuses including the Medical Centers.
2. Full time equivalents – restated (historically) using centralized data source and enterprise definitions
3. Includes Valley Medical Center in 2021 and 2016 only
4. Net of scholarship allowances of $230.9 million in 2021, $144.5 million in 2016 and $91.4 million in 2011
5. Stated at fair value
6. Gross square footage, all campuses

KPMG LLP
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Independent Auditors' Report

The Board of Regents
University of Washington:

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of the University of Washington (the University), which comprise the statements of net position and statements of fiduciary net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, statements of changes in fiduciary net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary activities, and the discretely presented component unit of the University of Washington, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1 to the financial statements, the financial statements of the University of Washington, an agency of the state of Washington, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only the respective portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the state of Washington that are attributable to the transactions of the University of Washington and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 1 to the financial statements, on July 1, 2020, the University adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which has resulted in the presentation of a statement of fiduciary net position, a statement of changes in fiduciary net position, and the restatement of net position as of July 1, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 18, and the schedules of required supplementary information on pages 73 through 78, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Washington's basic financial statements. The accompanying information under the table of contents titled "University Facts" is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Seattle, Washington
October 28, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

The discussion and analysis below provides an overview of the financial position and activities of the University of Washington ("University") for the fiscal years ended June 30, 2021 and 2020, with comparative financial information for 2019. This discussion has been prepared by management, and since it includes highly summarized data, should be read in conjunction with the financial statements and accompanying notes to financial statements that follow this section.

Financial Highlights for Fiscal Year 2021

The University recorded a $2,002 million increase in net position in 2021 compared to an increase of $345 million in 2020. The 2021 operating loss decreased $438 million over the prior year, as growth in revenues and an accompanying reduction in expense reflected continued, albeit more favorable, impacts on earnings from the Novel coronavirus (COVID-19) pandemic. Nonoperating and other revenues increased during the year, benefiting from support provided by federal and state sources related to COVID-19 and a significant improvement in the University's investment income.

Key Financial Results

(in millions)	2021	2020	2019
Total operating revenues	$ 5,842	$ 5,503	$ 5,485
Total operating expenses	6,248	6,347	6,064
Operating loss	(406)	(844)	(579)
State appropriations	481	415	379
Gifts	215	220	166
Investment income	1,342	209	340
Other nonoperating revenues, net	370	345	175
Increase in net position	2,002	345	481
Net position, beginning of year	5,907	5,578	5,097
Cumulative effect of accounting changes (described below):			
GASB 84 - Fiduciary Activities	—	(16)	—
Net position, beginning of year as restated	5,907	5,562	5,097
Net position, end of year	**$ 7,909**	**$ 5,907**	**$ 5,578**

Operating Revenues

Operating revenues increased $339 million, or 6.1%, in 2021. Revenue from patient services increased $115 million as fewer non-emergent and elective procedures were cancelled during the year due to the COVID pandemic compared to 2020, resulting in higher volumes and revenue. Grant and contract revenue recorded another strong year, increasing $75 million, or 5%, over 2020. Sales and services of educational departments increased $180 million due to School of Medicine programs, primarily Lab Medicine - Pathology, which saw a significant increase in COVID-19 testing activities. Other operating revenue increased $117 million, due to continued strong contract pharmacy revenues. These were offset by a decrease in revenue from student tuition and fees, which decreased $25 million reflecting higher student financial aid offsets from federally provided COVID relief, a decrease in Housing and Food Services revenues of $43 million due to impacts from the pandemic on demand for student housing and retail operations, and lower revenues from sports programs due to the cancellation of in-person events during the year.

Operating Expenses

Operating expenses decreased $99 million, or (2)%, in 2021. Staff salaries and benefits decreased $134 million during the year, primarily reflecting cost control measures implemented as a result of the COVID pandemic and changes in actuarial assumptions used to value the University's pension obligations. A $90 million increase in supplies and materials, primarily associated with medical and pharmaceutical operations, was offset by a $49 million decrease in purchased services such as travel due to the impact of the pandemic on University operations.

Nonoperating Revenues

Revenues from nonoperating and other sources, net of interest on capital-related debt, increased $1,219 million, or 103%, in 2021. Investment income was the primary driver, increasing $1,133 million, or 542%, in 2021 due to a rebound in investment returns on the University's endowment and operating funds. State operating appropriations increased $66 million, driven by $49 million of COVID-19 support received during the year. Similarly, other nonoperating revenues increased $31 million, driven by an increase of $40 million in federal stimulus provided to the University under the CARES Act (described below). Current use, capital and endowed gifts decreased a combined $120 million during the year, primarily due to $125 million received in 2020 from the Bill & Melinda Gates Foundation to support the Population Health Initiative.

COVID-19

The COVID-19 pandemic has had widespread impacts on societal and economic conditions at a local, national and global level, and has had a significant impact on the University's operations. In February, 2020, the Governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address coronavirus in Washington and the forecasted potential surge of COVID-19 patients. In March, 2020, President Trump declared a national state of emergency with respect to the COVID-19 outbreak, ordering all states to establish emergency operations and authorizing the use of federal funds. Both the national state of emergency and the Washington state of emergency continued throughout fiscal year 2021.

Mandates from the Governor between March and May, 2020, required the cancellation or postponement of all non-emergent and elective clinical procedures. Those mandates had a significant impact on patient volumes and revenues during fiscal year 2020. The Governor's "Stay Home, Stay Healthy" proclamation required individuals to stay home except for essential activities. As a result, University courses shifted to remote instruction and remained remote throughout the rest of the 2020-2021 academic year except for specific exceptions. Online course delivery resulted in many students opting to discontinue living on campus, impacting University residential and retail operations. Revenue from gate ticket sales and NCAA/conference distributions were also negatively impacted due to the inability to host fans at events throughout the year, and the cancellation of football games across the PAC-12.

Financial and liquidity support from federal and state sources to address the impacts from COVID-19 during fiscal years 2020 and 2021 took the following forms:

Medicare Advance Payment Program - During fiscal year 2020, the University requested and received approval for six months of advance Medicare payments under the Centers for Medicare and Medicaid Services (CMS) Medicare Advanced Payment Program (MAPP). As a result, the University received $125 million in April and May of 2020. The advance Medicare funds will be recovered by Medicare by offsetting paid claims until the full amount is recouped. These recoveries began one year after the advance payment was issued. The University has up to twenty-nine months from the date of the advance payment to repay the balance. Medicare recouped $17 million of these advance payments during fiscal year 2021 through claims for services. This advance is recorded as "long-term liabilities" in the accompanying Statements of Net Position as of June 30, 2021, and as "unearned revenues" as of June 30, 2020. The change in presentation resulted from guidance issued in September, 2020, which extended the repayment period for the advance.

CARES Act Provider Relief Fund - The Federal Government passed the Coronavirus Aid, Relief and Economic Security (CARES Act) in March 2020. The Provider Relief Fund payments are intended to assist with lost revenues associated with lower patient volumes, and cancelled procedures and services due to COVID-19. Provider relief funds consisted of both general and targeted distributions. The University received both types of distributions totaling $35 million and $66 million during the fiscal years ended June 30, 2021 and 2020, respectively. The University has recognized this funding as "other nonoperating revenues" on the Statements of Revenues, Expenses and Changes in Net Position.

CARES Act HEERF - Under the CARES Act, the University became eligible for approximately $40 million in grant funding during 2020 via the Higher Education Emergency Relief Fund (HEERF I). Half of this amount was to assist eligible students impacted by on-campus financial disruption (student aid portion) with the other half used to cover costs associated with significant changes to the delivery of instruction (institutional portion) due to COVID-19. The Higher Education Emergency Relief Fund II (HEERF II), authorized by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) signed into law in December, 2020, awarded the University $60 million in student financial aid and institutional support. Lastly, the Higher Education Emergency Relief Fund III (HEERF III), authorized by the American Rescue Plan signed into law in March, 2021, awarded the University $106 million in student financial aid and institutional support. As a result of HEERF I, II and III, $18 million was distributed to students in fiscal year 2020 and $50 million in fiscal year 2021, with $26 million left to be drawn and distributed in fiscal year 2022. Similarly, $4 million of institutional support was distributed by the University in fiscal year 2020 and $43 million in fiscal year 2021, with $66 million left to be drawn and distributed. The largest recipient of the institutional support funds has been the University's Housing and Food Services auxiliary operation, to cover expenditures that would otherwise have been funded by housing and dining revenues which were impacted by the pandemic. These distributions have been recognized as "other nonoperating revenues" on the Statements of Revenues, Expenses and Changes in Net Position.

CARES Act FICA Deferral - The CARES Act provides that employers may elect to defer payment of the employer's share of social security taxes through December 31, 2020. Of these deferred payments, 50% must be paid by December, 2021, with the remainder paid by December, 2022. As a result, $113 million and $31 million have been deferred by the University as of June 30, 2021 and 2020, respectively, and are shown as "long-term liabilities" on the Statements of Net Position.

CARES Act Paycheck Protection Program - Also as part of the CARES Act, the federal government enacted a loan program called the Paycheck Protection Program (PPP) for eligible businesses with 500 or fewer employees. Eligible businesses are able to apply for a loan of up to 2.5 times the average monthly payroll expense of the business. The interest on PPP loans is deferred for the first six months of the loan, with an interest rate of 1% after the deferral period. UW Neighborhood Clinics applied for and was granted a loan of $5 million which is recorded as "long-term liabilities" on the University's Statements of Net Position as of June 30, 2021 and 2020.

FEMA Public Assistance Program - During fiscal year 2020, the University applied for an $85 million grant from the Federal Emergency Management Agency (FEMA) Public Assistance program via the expedited funding channel, which enabled partial funding of estimated eligible expenditures up front, with a 25% state cost share requirement. The University received an expedited payment from the grant program of $32 million in fiscal year 2020 to help defray certain costs incurred as part of the University's response to COVID-19. These amounts are reported as "unearned revenues" in the accompanying Statements of Net Position.

State Appropriations - The state of Washington has appropriated emergency funding to the University in response to the COVID-19 pandemic. $61 million was appropriated in fiscal year 2020 for the purposes of expanding lab capacity for COVID-19 testing, procuring medical supplies and equipment, sanitizing facilities and equipment, and providing information to the public. In fiscal year 2021 the University was awarded an additional appropriation of $35 million to partially cover revenues from clinical operations that were lost as a result of the pandemic and not covered by other funding. As a result, $49 million and $8 million have been drawn and reported as "state appropriations" in the University's Statements of Revenues, Expenses and Changes in Net Position during the fiscal years ended June 30, 2021 and 2020, respectively. $40 million remains to be recognized in future fiscal years.

In total, the University recognized revenue of $175 million and $95 million in fiscal years 2021 and 2020, respectively, in relation to COVID-19 support. These amounts exclude amounts received by the University's discrete component unit, Valley Medical Center.

Changes in Accounting Standards

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 83, "Certain Asset Retirement Obligations" during fiscal year 2019. An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments that have legal obligations to perform future tangible asset retirement activities are now required to recognize a liability and offsetting deferred outflow of resources when these costs are incurred and are reasonably estimable. The University's 2015 Decommissioning Funding Plan, prepared in accordance with Washington Administrative Code 246-235-075, estimated disposal and clean-up costs related to all radioactive materials used for research, clinical applications, and education and was used as the basis for recording the initial ARO liability. Prior to implementing this Statement, the University's financial statements did not reflect any ARO liability or associated deferred outflow, and reported costs associated with these retirement activities as expense at the time of asset disposal.

The University implemented GASB Statement No. 84, "Fiduciary Activities" during fiscal year 2021. This Statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. Governments with activities meeting the criteria are required to present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Custodial assets held for three months or less are exempt from the reporting requirements. To reflect the changes resulting from this implementation the University has added the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows for the fiscal year ending June 30, 2020 have been restated to conform with this Statement and current year presentation. In addition to the reporting changes described above, net position was restated at July 1, 2019 by a decrease of $15.9 million.

The University also implemented GASB Statement No. 92, "Omnibus 2020" during fiscal year 2021. This Statement addresses a variety of topics, including specific provisions related to leases, certain intra-entity transfers between a primary government and a component unit's post-retirement benefit plan, reporting of post-employment plan assets accumulated outside of a qualified trust, certain requirements related to fiduciary activities' post-employment benefit arrangements, measurement of asset retirement obligations resulting from a government acquisition, public entity risk pools, fair value measurements, and derivative instrument terminology. Implementation of this Statement did not have a material impact on the University's financial statements.

Change in Accounting Estimate

On July 1, 2020, the state of Washington established a trust for contributions paid by the University for the benefit of the University of Washington Supplemental Retirement Plan (UWSRP) in accordance with Revised Code of Washington 41.50.075. As a result, the applicable accounting guidance for the UWSRP has changed to GASB codification section P20 "Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specific Criteria." This event gives rise to a change in the University's estimates of future obligations, deferrals and pension expense related to the UWSRP. Specifically, $61.0 million of contributions paid to the state in prior years and recognized as expense have been attributed to the University by the state and reported as "capital grants, gifts and other" on the Statements of Revenues, Expenses and Changes in Net Position for fiscal year 2021. The University will now report the plan's net pension liability (total pension liability less the plan's fiduciary net position). Prior to this change in estimate the University reported the plan's total pension liability. In addition, under GASB section P20 the discount rate used to value the ending liability has changed to the expected investment return on plan assets. As such, the University has changed from using the Bond Buyer's 20 Bond Index (2.21% for the fiscal year 2020 liability) to using the expected investment return on plan assets (7.40% for the fiscal year 2021 liability).

Using the Financial Statements

The University's financial statements are prepared in accordance with 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. These financial statements include the following components:

- Independent Auditors' Report presents an unmodified opinion prepared by the University's auditors, KPMG LLP.

- Statements of Net Position present the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the University at a point in time (June 30, 2021 and 2020). Their purpose is to present a financial snapshot of the University. This statement aids the reader in determining the assets available to continue the University's operations, how much the University owes to employees and vendors, whether the University has any deferred outflows or inflows other than assets or liabilities, and provides a picture of net position and its availability for expenditure by the University.
- Statements of Revenues, Expenses and Changes in Net Position present the total revenues earned and expenses incurred by the University for operating, nonoperating and other related activities, during a period of time (the fiscal years ended June 30, 2021 and 2020). Their purpose is to assess the University's operating and nonoperating activities.
- Statements of Cash Flows present cash receipts and payments of the University during a period of time (the fiscal years ended June 30, 2021 and 2020). Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.
- Statements of Fiduciary Net Position present the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and fiduciary net position of the University's custodial funds at a point in time (June 30, 2021 and 2020).
- Statements of Changes in Fiduciary Net Position present the additions and deductions from the University's custodial funds during a period of time (the fiscal years ended June 30, 2021 and 2020).
- Notes to the Financial Statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

The University has had a strategic alliance with Valley Medical Center, a Washington public hospital district, since 2011. GASB standards require that this entity be presented as a discrete component unit of the University since it has a separate board of trustees, it does not provide services exclusively to the University, and it is not a nonprofit corporation of which the University is the sole corporate member; therefore, its financial position at June 30, 2021 and 2020, and results of operations for the fiscal years ended June 30, 2021 and 2020, are reported in a separate column for financial statement presentation purposes (see note 1 to the financial statements). The analysis that follows includes the consolidated balances of the University of Washington and its blended component units, but excludes the financial position and results of operations of Valley Medical Center.

Financial Health

STATEMENTS OF NET POSITION

A summarized comparison of the University's assets, liabilities, deferrals and net position as of June 30, 2021, 2020 and 2019 is shown below:

Summarized Statements of Net Position

(in millions)	2021	2020	2019
Current assets	$ 2,706	$ 2,030	$ 1,574
Noncurrent assets:			
Capital assets, net	4,976	4,972	4,935
Investments, net of current portion	6,764	5,516	5,375
Other	632	567	525
Total assets	15,078	13,085	12,409
Deferred outflows	742	639	414
Total assets and deferred outflows	15,820	13,724	12,823
Current liabilities	1,623	1,488	1,166
Noncurrent liabilities:			
Bonds payable	2,378	2,395	2,353
Pensions and OPEB	2,256	2,740	2,498
Other	476	359	335
Total liabilities	6,733	6,982	6,352
Deferred inflows	1,178	835	893
Total liabilities and deferred inflows	7,911	7,817	7,245
Net position	**$ 7,909**	**$ 5,907**	**$ 5,578**

Current assets include those that may be used to support current operations, and consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Current liabilities generally are due and payable over the course of the following fiscal year, and include accounts payable and other accrued liabilities, unearned revenues, and the current portion of long-term liabilities such as debt. The excess of current assets over current liabilities of $1,083 million in 2021, and $542 million in 2020, reflects the continuing ability of the University to meet its short-term obligations.

Current assets increased $676 million, or 33%, in 2021, driven by a $365 million increase in short-term investments resulting from a recovery in market values for the University's short term investments. Accounts receivable, net of allowances, also increased $312 million during the year, reflecting $98 million growth in gross patient services receivables, $77 million growth in the receivable for pending investment sales, and a $63 million increase in receivables from sales and services of educational departments (primarily Lab Medicine). Current assets increased $456 million, or 29%, in 2020. Amounts received from federal and state sources pertaining to COVID-19 support drove a $383 million increase in short-term investments. Likewise, a focus on conserving operating cash balances to protect liquidity in light of COVID-19 contributed to an increase of $58 million in cash and cash equivalents.

Current liabilities increased $135 million, or 9%, in 2021. The current portion of long-term liabilities increased $151 million, driven by upcoming recoupment of amounts received for the Medicare Advance Payment Program, and payment of social security taxes deferred according to the CARES Act FICA Deferral. In addition, an increase in other current liabilities of $25 million reflecting commercial paper debt was offset by a reduction in unearned revenues of $49 million associated with funds received in response to the COVID-19 pandemic. Current liabilities increased $322 million, or 28%, in 2020. Accounts payable and accrued liabilities increased $213 million during the year primarily driven by a $160 million increase in pending investment purchases compared to the prior year, and a $38 million increase in the liability for accrued annual leave due to impact from the pandemic on employee travel and vacation plans. A $174 million increase in unearned revenues also contributed to the year over year change, and was primarily attributable to amounts received by the University related to COVID-19 support from the Medicare Advance Payment Program and the FEMA Public Assistance Program.

Noncurrent assets increased $1,317 million, or 12%, in 2021 primarily due to a $1,248 million increase in the market value of the University's long-term investments, combined with a $51 million increase in the value of the University's equity interest in the Seattle Cancer Care Alliance. Noncurrent assets increased $220 million, or 2%, in 2020 primarily due to a $195 million increase in the market value of the University's long-term investments, combined with a $25 million increase in the value of the University's equity interest in the Seattle Cancer Care Alliance.

Noncurrent liabilities decreased $384 million, or 7%, in 2021. Pension liabilities decreased $638 million, driven by a $655 million reduction in the UWSRP portion resulting from favorable experience compared to actuarial assumptions, an increase in the discount rate used to value the ending liability, and recognition of prior and current year pension contributions as an offset to the total pension liability (see note 16). This was offset by an increase in the University's Other Post Employment Benefits (OPEB) liability of $154 million, primarily reflecting an increase in the University's proportionate share of the statewide plan, and an increase in long-term liabilities, net of current portion, of $103 million primarily reflecting the change in presentation of long-term portion of the Medicare advance payments. Noncurrent liabilities increased $308 million, or 6%, in 2020. Pension and OPEB liabilities increased $242 million, reflecting the impact of lower end of year discount rates used in the associated actuarial valuations. Other contributing factors were a $32 million net increase in general revenue bonds outstanding (new issuances less principal payments) and $31 million of social security payments owed but unpaid at year end through the CARES Act FICA tax deferral.

Deferred outflows of resources and deferred inflows of resources primarily represent pension and OPEB-related deferrals, and the University's remainder interest in split-interest agreements. The increase in deferred outflows of $103 million, or 16%, in 2021 primarily pertains to OPEB, which experienced an $89 million increase in deferred outflows due to an increase in the University's proportionate share of the state's overall plan results, and a decrease in the discount rate used to value the total ending liability. The increase in deferred outflows of $225 million, or 54%, in 2020 primarily pertains to the UWSRP and OPEB plans. UWSRP deferred outflows increased $117 million, and OPEB deferred outflows increased $85 million, due to a decrease in the discount rates used to value the respective ending liabilities.

Deferred inflows increased $343 million, or 41%, in 2021, primarily due to increases in the UWSRP portion resulting from better than expected returns on CREF investments and an increase in the discount rate used to value the ending liability. These were offset by a reduction in pension deferred inflows resulting from amortization of amounts recorded in prior years. Deferred inflows decreased $58 million, or 6%, in 2020, primarily due to a $66 million reduction in OPEB deferred inflows resulting from amortization of amounts recorded in prior years.

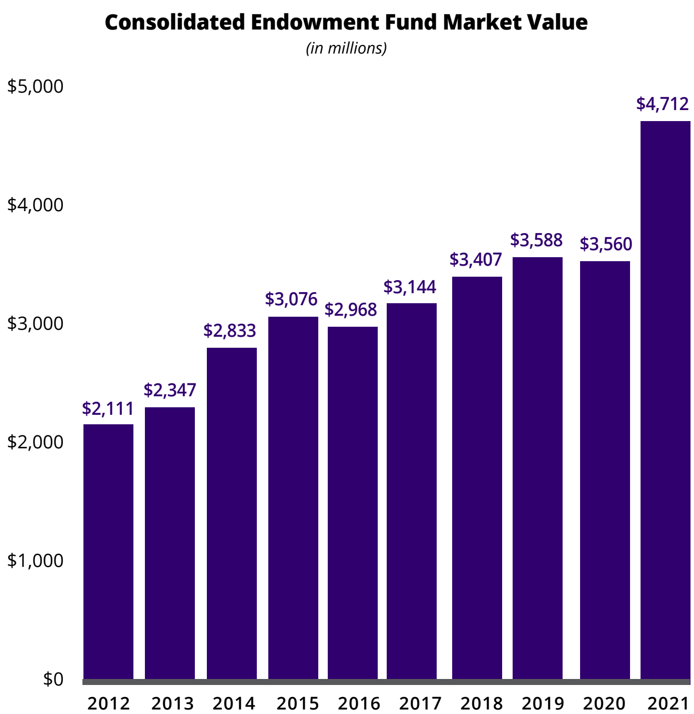
Endowment and Other Investments

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

The University of Washington Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the Chief Investment Officer, carries out the day-to-day activities of the investment portfolios. The University of Washington Investment Management Company Board ("UWINCO Board") consists of both Board of Regents' members and external investment professionals who advise UWINCO, the President and the Board of Regents.

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. Similar to 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 decade due to endowment gifts and investment returns. The number of individual endowments in the CEF has grown significantly, from 3,782 at June 30, 2012 to 5,411 at June 30, 2021. The market value of the CEF has similarly increased, from $2.1 billion at June 30, 2012 to $4.7 billion at June 30, 2021.



The impact to program support has been substantial with $1.1 billion distributed over the past 10 years, touching every part of the University. Programs supported by endowment returns include academic programs, scholarships, fellowships, professorships, chairs and research activities.

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units, starting with a 4.9% spending rate in fiscal year 2020 and then 4.7% in fiscal year 2021. Quarterly distributions to programs are based on an annual percentage rate of 3.76%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for an administrative fee of 0.94% supporting campus-wide fundraising and stewardship activities (0.752%) and offsetting the internal cost of managing endowment assets (0.188%). The spending rate reduction to 4.5% will be in full effect for fiscal year 2022 and beyond.

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 UWINCO Board, 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 is divided into 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, 2021, 76% of the CEF was invested in Capital Appreciation and 24% in Capital Preservation. Following an expectation that market returns for equities will exceed bonds over the next decade, a medium-term objective is maintained of generally overweighting equity-oriented strategies with a focus on quality companies and downside protection. This is consistent with the CEF policy change approved by the Board of Regents in May, 2021 to shift from a 70/30 to a 75/25 (Capital Appreciation/Capital Preservation) policy target, phased in over a three-year period. The University also maintains ample liquidity within Capital Preservation to meet its funding requirements, as well as to take advantage of market dislocations if opportunities arise.

For the fiscal year ended June 30, 2021, the CEF returned +35.1% versus +26.0% for the passive benchmark. The CEF's Private Equity strategy led absolute returns this year. Public markets rebounded strongly after bottoming in Spring 2020 during the onset of COVID-19. The CEF's Emerging Markets, especially China, and Developed Markets value and small cap managers recovered from a challenging fiscal year 2020. Capital Preservation strategies also outperformed despite government bonds posting a slightly negative return due to rising interest rates.

A portion of the University's operating funds are invested in the CEF. As of June 30, 2021, these funds comprise $812 million of the CEF market value.

Capital Improvements

The University continues to expand its campuses, invest in information technology and renovate existing facilities to meet the needs of its students, patients, faculty and staff. Significant capital asset expenditures (greater than $20 million) during fiscal year 2021 included $34 million for construction of the Health Sciences Education Building, and $22 million for construction of Founders Hall (to replace Mackenzie Hall).

Key projects placed in service during fiscal year 2021 include:

- Hans Rosling Center for Population Health (Rosling Center) - $210 million. Made possible by a $210 million gift from the Bill & Melinda Gates Foundation in 2016 as well as funding from the state of Washington and the University, the Rosling Center will house the UW Department of Global Health, the Institute for Health Metrics & Evaluation (IHME), parts of the UW School of Public Health and the offices of the Population Health Initiative. With spaces for collaborative group work, active learning, offices and training for global partners and multidisciplinary work in population health across the University, the Rosling Center will be a hub for addressing critical issues like poverty, equity, healthcare access, climate change and government policy.

- Oak Hall - $56 million. As the newest residence hall in North Campus, Oak Hall provides 300 new student beds, a 4,000 square foot multipurpose space for studying and socializing, and a market and cafe similar to the District Market on West Campus.
- Kincaid Hall Psychology Renovation - $43 million. The Kincaid renovation project extends the useful life of a central campus building, consolidates and provides a permanent location for Psychology Clinics and Research Labs, creates office space for Biology administrative staff and consolidates Psychology faculty located in other buildings.
- Parrington Hall Renovation - $23 million. This project upgrades mechanical, electrical, information technology and lighting systems, and modernizes Parrington Hall to current University facility educational standards.

See note 9 for additional information regarding capital asset activity.

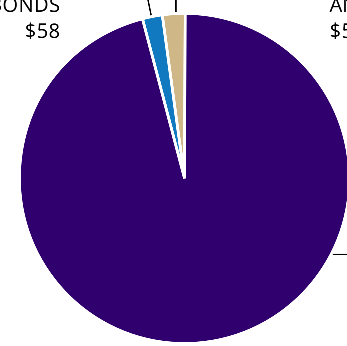
Debt

The University's Debt Policy governs the type and amount of debt the University may incur. The Debt Policy is designed to maintain access to capital markets and to minimize the cost of capital.

The University's debt portfolio consists primarily of fixed-rate debt in the form of General Revenue Bonds, Lease Revenue Bonds and state-issued General Obligation Bonds. As of June 30, 2021, the University had $2.4 billion of bonds and notes payable outstanding, an increase of 0.6% from June 30, 2020. Debt outstanding on the Metropolitan Tract is not included in these amounts (see note 8).

Bonds and Notes Payable

(in millions)



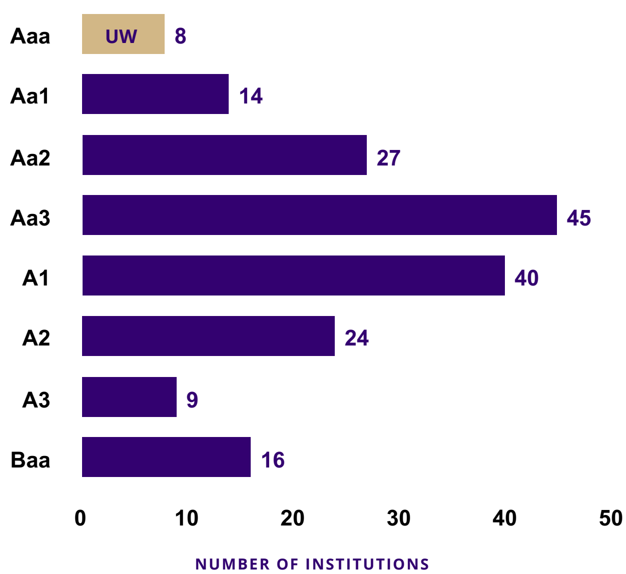
In March 2021, the University issued $77 million of tax-exempt General Revenue and Refunding bonds with an all-in true interest cost of 2.33% and $249 million of taxable General Revenue and Refunding bonds with an all-in true interest cost of 2.13%. Proceeds were used to fund various projects including UW Medicine clinical transformation program "Destination: One", the construction of the Childbirth Center at UW Medical Center Northwest Campus, and the Kincaid Hall renovation. Additionally, the University closed $118 million of tax-exempt General Revenue Refunding Bonds (Delayed Delivery Bonds) issued to refund callable 2011A bonds and achieve debt service savings. The all-in true interest cost of the refunding bonds was 1.84%. These bonds closed in February 2021.

The University has a $250 million commercial paper program, which is typically used to fund project expenditures until long-term funding is secured. As of June 30, 2021, there was $25 million in commercial paper outstanding.

In August 2020, the University entered into two separate $100 million agreements with lenders in order to provide short-term emergency support for COVID-19 impacts and to provide general institutional liquidity. Credit agencies consider this type of liquidity support as a credit positive. To date, no draws have been made on the liquidity lines of credit.

Credit ratings are an indicator of the University's effectiveness in managing its financial resources. During fiscal year 2021, Moody's removed the negative watch on the University's credit rating (Aaa, Stable) and Standard & Poor's reaffirmed the University's credit rating (AA+, Stable). These strong ratings carry substantial advantages for the University: continued and wider access to capital markets, lower interest rates on bonds, and the ability to negotiate favorable bond terms. The University's short-term credit ratings were also affirmed at P-1 (Moody's) and A-1+ (Standard & Poor's).

Moody's Fiscal Year 2020
Public College and University Rating Distribution
(As of the June 2021 Moody's Median Report)



The Board of Regents typically authorizes the long-term debt (excluding commercial paper) issuance on a fiscal year basis, and for fiscal year 2022 has authorized up to $100 million. Any increase, other than debt issued to achieve debt service savings and/or to remarket a put or term bond, would require additional approval by the Board.

Debt beyond fiscal year 2022 is managed through an annual process in which the University estimates debt capacity by benchmarking key debt-related financial metrics to credit peer institutions.

See note 10 for additional information regarding debt and other long-term liabilities.

Net Position

The difference between total assets and deferred outflows, and total liabilities and deferred inflows, is referred to as net position or "equity". Over time, the change in net position is one indicator of the improvement or decline in the University's overall financial health when considered with nonfinancial factors such as enrollment, research awards, patient levels, and the condition of facilities.

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, represents gifts to the University's permanent endowment funds. These are funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditure, but rather for investment purposes only, in order to produce income that is to be expended for the purposes specified.
  - Expendable net position consists of resources that the University is legally or contractually obligated to spend in accordance with time or purpose restrictions placed by donors and/or other external parties, and includes the net appreciation of permanent endowments.
- Unrestricted Net Position – This is all other funds available to the University for any purpose associated with its mission. Unrestricted net position is not subject to externally imposed stipulations, but often is internally designated for specific purposes.

The University's net position at June 30, 2021, 2020 and 2019 is summarized as follows:

Categories of Net Position

(in millions)	2021	2020	2019
Net investment in capital assets	$ 2,519	$ 2,532	$ 2,489
Restricted:			
Nonexpendable	1,996	1,883	1,878
Expendable	3,211	2,243	2,192
Unrestricted	182	(751)	(981)
Total net position	**$ 7,909**	**$ 5,907**	**$ 5,578**

Net investment in capital assets decreased $13 million, or 1%, in 2021. This balance typically increases as debt is repaid, or when the University funds fixed asset purchases without the use of external financing, for example by using internal reserves. This balance decreases as assets are depreciated. This category of net position increased $43 million, or 2%, in 2020, primarily as a result of greater additions to net capital assets during the year than the associated increase in capital asset-related debt, reflecting continued capital spending on previously approved projects.

Restricted nonexpendable net position increased $113 million, or 6%, in 2021 primarily as a result of receiving $67 million in new endowment gifts during the year, together with a $48 million increase in the market value of investments underlying the University's split-interest

Unaudited – see accompanying notes to financial statements

agreements. This category of net position increased $5 million, or 0.3%, in 2020.

Restricted expendable net position increased $968 million, or 43%, in 2021. New operating and capital gifts, and earnings or losses on restricted investments, including endowments, primarily affect this category of net position. During 2021, unrealized gains in the market value of the CEF (net of unrealized losses) increased $899 million, and unspent operating and capital gifts increased $74 million. Earnings on the Metropolitan Tract also contributed $15 million. This category of net position increased $51 million, or 2%, in 2020. Unspent operating and capital gifts increased $88 million during 2020, together with $4 million from the institutional support portion of the CARES Act HEERF and $15 million from earnings on the Metropolitan Tract. These amounts were partially offset by a $72 million increase in unrealized and realized losses on investments held in the CEF.

Unrestricted net position increased $933 million, or 124%, in 2021. Operating losses associated with unrestricted activities were $93 million and interest expense on capital asset-related debt was $87 million. These amounts were more than offset by $481 million in state operating appropriations, $416 million in investment income on unrestricted investments, and $127 million of other nonoperating revenue from federal sources related to the University's response to the COVID pandemic. This category of net position increased $230 million, or 23%, in 2020. Operating losses associated with unrestricted activities were $511 million and interest expense on capital asset-related debt was $93 million. These amounts were more than offset by $415 million in state operating appropriations, $256 million in investment income on unrestricted investments, and $83 million of federal funds from the CARES Act Provider Relief Fund and the student aid portion of HEERF.

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. Certain significant revenues budgeted for fundamental operational support of the core missions of the University must be recorded as nonoperating revenue, including state educational appropriations, private gifts, and investment income. As a result, it is anticipated that the Statements of Revenues, Expenses and Changes in Net Position will consistently report an operating loss for GASB financial reporting purposes.

A condensed comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2021, 2020 and 2019 follows:

Operating Results

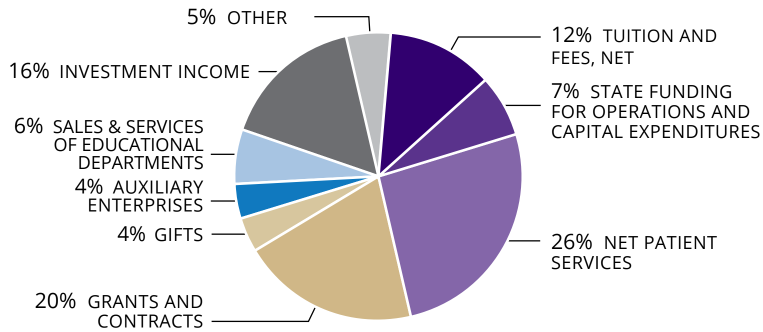
(in millions)	**2021**	**2020**	**2019**
Net patient services	$ 2,208	$ 2,093	$ 2,136
Tuition and fees, net	1,033	1,058	1,052
Grants and contracts	1,567	1,492	1,426
Other operating revenues	1,034	860	871
Total operating revenues	5,842	5,503	5,485
Salaries and benefits	3,748	3,882	3,732
Other Operating Expenses	2,500	2,465	2,332
Operating loss	**(406)**	**(844)**	**(579)**
State appropriations	481	415	379
Gifts	215	220	166
Investment income	1,342	209	340
Other nonoperating revenues	457	438	264
Interest on capital asset-related debt	(87)	(93)	(89)
Increase in net position	**$ 2,002**	**$ 345**	**$ 481**

The University's operating loss decreased to $406 million in 2021, from $844 million in 2020. State appropriations are shown as nonoperating revenue, but are primarily used to fund core University operations. If state appropriations were classified as operating revenue, the University would have reported net operating income of $75 million in 2021, and an operating loss of $429 million in 2020.

Unaudited – see accompanying notes to financial statements

The University has a diversified revenue base. No single source generated more than 26% of the total fiscal year 2021 revenues of $8.3 billion.

Sources of Funds



The following table summarizes revenues from all sources for the years ended June 30, 2021, 2020 and 2019:

Revenues from All Sources

(in millions)	2021		2020		2019	
Net patient services	$ 2,208	26%	$ 2,093	31%	$ 2,136	32%
Grants and contracts	1,631	20%	1,555	23%	1,492	22%
Investment income	1,342	16%	209	3%	340	5%
Tuition and fees, net	1,033	12%	1,058	16%	1,052	16%
State funding for operations	481	6%	415	6%	379	6%
Sales and services of educational departments	463	6%	283	4%	260	4%
Gifts	332	4%	452	7%	331	5%
Auxiliary enterprises	297	4%	420	6%	483	7%
State funding for capital projects	70	1%	23	0%	25	0%
Other	480	5%	277	4%	136	3%
Total revenue - all sources	**$ 8,337**	**100%**	**$ 6,785**	**100%**	**$ 6,634**	**100%**

Patient Services–UW Medicine

The financial statements of the University include the operations of the School of Medicine (SOM), two medical centers, an associated physician practice group, 13 free standing clinics, an emergency air transport service and the University's share of three joint ventures. These entities, together with Harborview Medical Center (not included in the University's financial statements – see note 15) and shared services providing IT, accounting, financial services and human resources comprise UW Medicine. UW Medicine is governed and administered as an enterprise of the University whose mission is to improve the health of the public. UW Medicine advances this mission through work in patient care, medical education of physicians and other healthcare providers, and research.

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

UW Medical Center (UWMC) is an 810-bed hospital located on two campuses that provides comprehensive healthcare services to the Puget Sound community and patients from throughout the Pacific Northwest and beyond. Effective January 1, 2020, Northwest Hospital & Medical Center was integrated into UWMC as its second campus, and its assets and liabilities were transferred to UWMC. UWMC also serves as the major clinical, teaching and research site for students and faculty in Health Sciences at the University. More than 27,000 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 and the Organ Transplantation program, among others.

Valley Medical Center (VMC) is a 341-bed acute care hospital and network of clinics that treats approximately 16,000 inpatients per year, and is the oldest and largest public hospital district in the state of Washington. VMC's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position are presented in a discrete column on the financial statements of the University.

Unaudited – see accompanying notes to financial statements

UW Neighborhood Clinics (Neighborhood Clinics) is a network of clinics with 13 neighborhood locations throughout the greater Puget Sound area, providing primary, urgent and selected specialty care with a staff of 120 healthcare providers.

UW Physicians (UWP) is the physician practice group for more than 2,600 faculty physicians and healthcare providers associated with UW Medicine.

Airlift Northwest provides rapid emergency air transport services to critically ill or injured patients throughout Washington, Alaska, Montana and Idaho.

Joint Ventures - The University is also a participant in three joint ventures: Seattle Cancer Care Alliance, Children's University Medical Group and Embright, LLC. The University's share of these activities is reflected in the University's financial statements.

UW Medicine Shared Services is comprised of a number of functions within the University, established for the purpose of providing scalable administrative and information technology (IT) support services for UW Medicine. These functions include UW Medicine IT Services (ITS), UW Medicine Revenue Cycle, UW Medicine Finance and Accounting, UW Medicine Supply Chain, and UW Medicine Contracting.

In combination, these organizations (not including VMC) contributed $2.2 billion in net patient services revenue in fiscal year 2021, compared with nearly $2.1 billion in fiscal year 2020, a increase of $115 million, or 5%. UWMC generated 78% of this revenue in 2021 and 76% in 2020. UWMC admissions were 27,320 in 2021 compared with 26,998 in 2020, an increase in admissions of 1%. In addition, surgeries grew 12% for UWMC compared to 2020. The cancellation of non-emergent and elective procedures in 2020, as directed by the Governor of the state of Washington in response to the COVID-19 pandemic, did not occur in 2021 and is the primary reason for the increase in operating revenues and patient volumes during the year.

Grant and Contract Revenue

One of the largest sources of revenue (20%) continues to be grants and contracts. Grant and contract revenue is received from federal sponsors, by far the largest component, and also from state, local and nongovernmental sources. Total grant and contract revenue increased $76 million in 2021, compared to an increase of $63 million in 2020.

Federal grant and contract revenue increased $41 million, or 4%, in 2021 due primarily to National Institutes of Health (NIH) grant activity. A total of 65 new active NIH grants increased revenue by $22 million, supporting a variety of biomedical research initiatives including research focused on the COVID-19 pandemic. Federal grant and contract revenue increased $41 million, or 4%, in 2020 due primarily to NIH grant activity and continued research vessel support from the National Science Foundation (NSF). A total of 31 new NIH grants increased revenue by $13 million, supporting a variety of biomedical research initiatives aiming to enhance health and reduce illness. The University also received a 5-year, $34 million NSF award to perform oceanographic research missions aboard the newly refurbished R/V Thomas G. Thompson.

State and local grant and contract revenue increased $24 million, or 19%, in 2021 largely attributable to the Washington College Grant, formerly called the Washington State Need Grant, which grew $23 million during the year as a result of increased support from the state legislature related to appropriations and a higher number of eligible students. State and local grant and contract revenue increased $16 million, or 14%, in 2020 largely attributable to the Washington College Grant, which grew $15 million during the year also as a result of increased support from the state legislature related to appropriations and a higher number of eligible students.

Nongovernmental grant and contract revenue increased $9 million, or 3%, in 2021. Two grants from the Bill & Melinda Gates Foundation contributed to this increase, with a study on COVID therapeutic drug research and a supplemental increase for the Institute for Health Metrics and Evaluation's (IHME) Global Burden of Disease (GBD) enterprise. The GBD provides a tool to quantify health loss from hundreds of diseases, injuries, and risk factors and aims to improve health systems and eliminate disparities. Nongovernmental grant and contract revenue increased $9 million, or 3%, in 2020. Grants from the Paul G. Allen Family Foundation supporting the UW Medicine Emergency Response Fund for COVID-19 and the Alcohol and Drug Abuse Institute contributed to this increase. The University also received a large consultancy agreement from the Inter-American Development Bank to assist with the Regional Malaria Elimination Initiative. This initiative is funded by the Bill & Melinda Gates Foundation and the Global Fund, with an aim of accelerating progress towards Malaria elimination in Mesoamerica and the Dominican Republic.

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

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

Facility and administrative expenses necessary to support grants and contracts are reimbursed by sponsors, along with direct costs, by an indirect cost recovery. The 2021 and 2020 indirect cost recovery rate for research grants was approximately 31 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.

Operating Support for Instruction

(in millions)	2021		2020		2019	
Operating tuition and fees	$ 694	46%	$ 701	48%	$ 716	50%
Fees for self-sustaining educational programs	339	22%	357	24%	336	24%
Subtotal - tuition and fees	1,033	68%	1,058	72%	1,052	74%
State operating appropriations	481	32%	415	28%	379	26%
Total educational support	**$1,514**	**100%**	**$1,473**	**100%**	**$1,431**	**100%**

Noncapital state appropriations are considered nonoperating revenue under GASB principles, and are reflected in the nonoperating section of the Statements of Revenues, Expenses and Changes in Net Position; however, they are used solely to fund operating activities.

Revenue from tuition and fees, net of scholarship allowances, decreased $25 million in 2021, compared to an increase of $6 million in 2020. This decrease reflects $50 million of emergency student aid received by the University during 2021 through HEERF I and II, and distributed to students in the form of scholarship allowances which are reported as an offset to tuition revenue. Revenue from tuition and fees before scholarship allowances otherwise increased during 2021, partially due to the state allowing a 2.5% operating fee increase in resident undergraduate tuition in 2021 and a 2.4% increase in 2020. Other tuition categories also contributed to these increases. Nonresident undergraduate operating fees increased 2.5% in 2021. Most graduate and professional operating fees increased 2.5%, while other program rates increased 0-5%. Most fee-based program rates increased 0-6% in 2021. These other fee increases were consistent with those implemented during 2020.

Revenue growth (before scholarship allowances) for both years was also partly due to modest increases in student enrollment. Full-time equivalent (FTE) enrollment in 2021 in undergraduate tuition-and fee-based programs increased by 2.3% in the resident student category, but remained flat in the nonresident student category. FTE enrollment in graduate and professional tuition- and fee-based programs increased by 7.3% in the resident student category and decreased by 0.6% in the nonresident student category. FTE enrollment in 2020 in undergraduate tuition-and fee-based programs were flat in the resident student category, but increased 0.3% in the nonresident student category. FTE enrollment in graduate and professional tuition- and fee-based programs held steady in 2020 in the resident student category and increased by 1.8% in the nonresident student category.

Self-sustaining educational programs (fee-supported programs) include the following amounts for each of the fiscal years 2021, 2020 and 2019: Continuum College (the continuing education branch of the University) $133 million, $132 million and $126 million, respectively, summer quarter tuition $62 million, $81 million and $65 million, respectively, and for Business School and School of Medicine programs $69 million, $66 million and $63 million, respectively.

Gifts, Endowments and Investment Revenues

Net investment income for the years ended June 30, 2021, 2020 and 2019 consisted of the following:

Net Investment Income

(in millions)	2021	2020	2019
Interest and dividends, net	$ 73	$ 63	$ 72
Metropolitan Tract net income	24	25	26
Seattle Cancer Care Alliance change in equity	51	25	24
Realized gains	90	171	169
Unrealized (losses) gains	1,104	(75)	49
Net investment income	**$ 1,342**	**$ 209**	**$ 340**

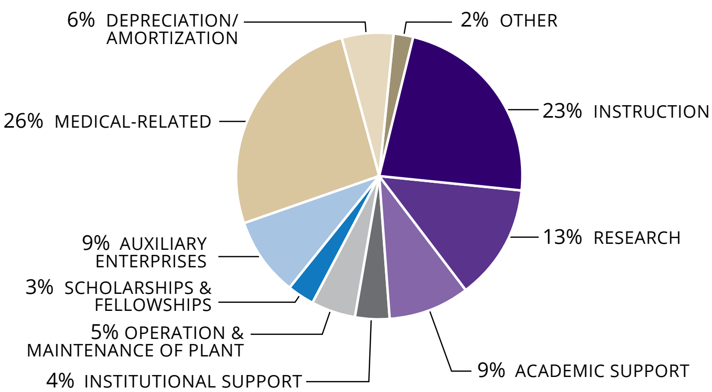
Net investment income increased $1,133 million, or 542%, in 2021 compared to a decrease of $131 million, or 39%, in 2020. A sharp rise in unrealized gains drove the increase in 2021, whereas a much smaller decrease in unrealized gains during 2020 was partly offset by increases in realized gains. Returns on the CEF were +5.8% in fiscal year 2019 and +1.1% in 2020, but jumped to +35.1% in 2021.

In fiscal year 2020, the University concluded a ten-year fundraising campaign titled “Be Boundless - For Washington, For the World” which resulted in more than a half-million donors giving a combined $6.3 billion. Gifts are a key and necessary source of support for a variety of purposes, including current operating activities. Gifts support scholarships and research, capital improvements, and are used to fund permanent endowments for various academic and research purposes. Current use gifts decreased $5 million in 2021, but increased $54 million in 2020 primarily due to $24 million received by the School of Medicine that year to support the University’s response to COVID-19, and $12 million related to the Brotman Baty Institute. Capital gifts decreased $117 million in 2021 but increased $138 million in 2020, driven by $125 million of support received from the Bill & Melinda Gates Foundation in 2020 to benefit the University’s Population Health Initiative. Gifts to permanent endowments were mostly unchanged in 2021, compared to a decrease of $70 million in 2020. Two large estate gifts received by the University in 2019, but not repeated in 2020, were the primary reason for the decrease in 2020.

Expenses

Two primary functions of the University, instruction and research, comprised 36% of total operating expenses in 2021. These dollars provided instruction to over 60,000 students and funded nearly 5,500 research awards. Medical-related expenses, such as those related to patient care, continue to be the largest individual component, accounting for 27% of the University's total operating expenses in 2021.

Uses of Funds



A comparative summary of the University's expenses by functional classification (purpose for which the costs are incurred) for the years ended June 30, 2021, 2020 and 2019 follows:

Operating Expenses by Function

(in millions)	2021		2020		2019	
Educational and general instruction	$1,407	23%	$1,361	21%	$1,320	22%
Research	822	13%	796	13%	749	12%
Public service	87	1%	77	1%	66	1%
Academic support	556	9%	542	9%	540	9%
Student services	51	1%	55	1%	54	1%
Institutional support	260	4%	272	4%	226	4%
Operation and maintenance of plant	303	5%	281	4%	252	4%
Scholarships and fellowships	192	3%	154	3%	155	3%
Auxiliary enterprises	518	8%	576	9%	554	9%
Medical-related	1,674	27%	1,845	29%	1,776	29%
Depreciation/ amortization	378	6%	388	6%	372	6%
Total operating expenses	**$6,248**	**100%**	**$6,347**	**100%**	**$6,064**	**100%**

Overall, the University's operating expenses decreased $99 million, or 2%, in 2021 and increased $283 million, or 5%, in 2020. Approximately 60% of amounts incurred for operating expenses in both 2021 and 2020 were related to faculty and staff compensation and benefits.

In 2021, expense associated with faculty and staff salaries decreased $63 million, or 2%, partly reflecting a desire to decrease overall operating expenses where possible in response to revenue declines associated with the COVID pandemic. This resulted in a 1% decrease in University FTE's during 2021, together with forgoing merit increases for professional staff and targeted staff furloughs.

Benefits expense decreased $71 million, or 8% in 2021. Pension-related benefit expenses decreased $85 million, driven by amortization of UWSRP deferred inflows associated with better than expected returns on CREF investments and a favorable change in the discount rate used to value the ending liability. OPEB expense decreased $36 million primarily due to recent legislation which repealed the excise tax previously included in the forecast of future healthcare trends. These were offset by an increase of $50 million in other benefit expense categories, primarily due to higher healthcare costs paid to the Washington State Health Care Authority by the University.

Supplies and materials expense increased $90 million, or 14%, in 2021 primarily driven by higher costs for pharmaceutical expenses and medical supplies associated with growth in contract pharmacy, as well as generally rising costs for pharmaceutical supplies overall.

Purchased services decreased $49 million, or 5%, in 2021, primarily due to lower costs associated with travel reflecting the impact of the COVID-19 pandemic on University operations.

In 2020, expense associated with faculty and staff salaries increased $82 million, or 3% primarily due to merit increases and the need to retain historical staffing levels despite a decrease in UW Medicine volumes as a result of the COVID-19 pandemic.

Benefits expense increased $68 million, or 8% in 2020. Pension-related benefit expenses increased $41 million, driven by amortization of UWSRP deferred outflows reflecting a lower discount rate that had an unfavorable impact on pension expense. OPEB expense decreased $16 million primarily due to lower service cost in 2020. All other benefit expenses, which fluctuate each year in relation to the change in total paid salaries, increased $43 million during 2020.

Supplies and materials expense increased $32 million, or 5%, in 2020 primarily driven by higher costs for pharmaceutical expenses associated with growth in contract pharmacy, as well as generally rising costs for pharmaceutical supplies.

Purchased services increased $70 million, or 8%, in 2020, primarily due to costs associated with information technology and management consulting, as well as contract medical personnel.

Economic Factors That May Affect the Future

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the University, including written or oral statements made by its representatives, may contain forward looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the University expects or anticipates will or may occur in the future contain forward-looking information. In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The University does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

STATE OPERATING AND CAPITAL APPROPRIATIONS

The state of Washington, which provided approximately 7% of the University's total revenues in fiscal year 2021, began to see promising signs of economic recovery in state tax collections after several 2020 revenue forecasts predicted significant declines in state revenue due to the COVID-19 pandemic. In recent biennia, growth in state tax collections and new revenue have largely been consumed by court-mandated increases to K-12 education funding (McCleary v. Washington). As part of the 2019-21 compromise budget package, which was passed during the 2019 legislative session and is effective for fiscal years 2020 and 2021, the legislature approved HB 2158, which created a dedicated source of funding for higher education through an increase to Business and Occupation (B&O) taxes on professional services. In addition to funding foundational support allocations to public colleges and universities, this revenue maintained the legislature's commitment to fully-fund the Washington College Grant program (previously the State Need Grant program), and made significant investments in science, technology, engineering and math (STEM) enrollments across all three UW campuses.

During the 2021 legislative session, the state passed a budget for the 2021-23 biennium (effective for fiscal years 2022 and 2023). State revenue forecasts leading up to the start of the 2021 session projected significant deficits as a result of the COVID-19 pandemic. Because of this, the University was asked to provide the Governor's Office of Financial Management a response to an exercise modeling a 15% reduction to state operating appropriations to the institution. Fortunately, a 15% reduction was avoided due to improvements in revenue projections. The biennial budget provided additional funding for UW Medicine safety net support in fiscal years 2022 and 2023, and included more than 30 direct allocations (provisos) to the University. Compensation increases for non-represented faculty and staff that were originally intended to be implemented in fiscal year 2021 were allowed to take place in fiscal year 2022, but the budget did not include funding for any new salary increases in the biennium.

The June 2021 revenue forecast has since shown a nearly full economic recovery compared to the June 2020 revenue forecast, which forecasted a precipitous economic decline and a nearly $9 billion deficit over the previous and current biennia. The University will continue to monitor state revenue collections as new revenue forecasts are released in September and November of 2021.

The University's fiscal year 2022 general operating appropriation from the state (excluding certain amounts appropriated for specific purposes) currently totals just over $437 million. This amount is an increase from approximately $421 million in 2021 and $397 million in 2020. Recent increases are largely attributable to targeted investments in safety net support for UW Medicine and the School of Dentistry, as well as targeted research investments.

During the 2015-17 biennium, the state approved a new tuition policy that reduced resident undergraduate tuition rates to 5% below the 2015 rates in 2016, and to 15% below the 2015 rates in 2017. The state provided funds to offset the lost tuition revenue in both years. The same tuition policy allowed for future increases tied to a rolling average of median hourly wage in the state. Under this current policy, the state has allowed resident undergraduate tuition to increase by 2%-2.8% in each year. While the legislature can always modify its policy, it has so far chosen to maintain it through the 2021-23 biennium. The University's current expectation is that resident undergraduate tuition increases will continue to be limited to approximately 2%-3% each year for the near future. The University's Board of Regents continues to have broad tuition and fee setting authority for categories other than resident undergraduate tuition.

State funding for capital appropriations continues to be constrained, but the state's 2021-23 biennial capital budget provided state bonding capacity or other funding for several critical capital projects that the University requested for the 2021-23 biennium. These include a behavioral health teaching facility, healthcare infrastructure, STEM-related buildings on the Seattle and Tacoma campuses, and seismic upgrades.

UW MEDICINE

The COVID-19 pandemic continues to evolve and the future impact on UW Medicine's operations and financial position will be driven by many factors, most of which are beyond

UW Medicine's control and are difficult to predict. The spread of COVID-19 and the ensuing response of federal, state and local authorities beginning in March 2020 resulted in a material reduction in patient volumes. Restrictive measures including travel bans, social distancing, quarantines and shelter-in-place orders reduced the number of procedures performed at UW Medicine facilities, as well as the volume of emergency room visits. UW Medicine responded to the pandemic throughout fiscal year 2021 and experienced gradual and continued improvement in patient volumes as stay-at-home restrictions eased and UW Medicine facilities were permitted to resume elective surgeries and other procedures; however, the COVID-19 pandemic continues to impact UW Medicine business as well as patients, communities and employees. Broad economic factors resulting from the pandemic, including increased unemployment rates and reduced consumer spending, continue to impact patient volumes, case mix acuity, service mix and revenue mix.

The pandemic has also continued to have an adverse effect on UW Medicine operating expenses to varying degrees. It has been necessary to utilize higher-cost temporary labor and pay premiums above standard compensation for essential workers. There have also been significant price increases in medical supplies, particularly personal protective equipment ("PPE"), and supply chain disruptions including shortages and delays. Due to these factors and other uncertainties, management cannot estimate the length or severity of the impact of the pandemic on UW Medicine's business.

The ability to increase profitability will depend, in part, on successfully executing UW Medicine strategies. In general, these strategies are intended to improve financial performance through the reduction of costs and streamlining how clinical care is provided, as well as mitigating the negative reimbursement trends experienced within the market. With a continued focus on patient volumes shifting from inpatient to outpatient settings due to technological advancements and demand for care that is more convenient, affordable and accessible as well as the industry-wide migration to value-based payment models as government and private payers shift risk to providers, UW Medicine's focus is on successfully managing costs and care.

Behavioral Health Teaching Facility at UWMC

UW Medicine and the Washington State Legislature are establishing a Behavioral Health Teaching Facility (BHTF) at UW Medical Center which will be located on the Northwest Campus. The BHTF will serve the dual purpose of treating patients with behavioral health needs and training an integrated behavioral health workforce in the new 191,000 square foot facility. The state has awarded $234 million for the planning, design work, construction and equipment necessary to build a new, first of its kind building. Construction has recently begun and is anticipated to be complete in 2023, with patients being seen in the facility in early 2024.

OTHER

In December 2019, the UW Finance Transformation (UWFT) program received approval from the University's Board of Regents to proceed with a broad redesign of finance-related policies and processes, enabled by the implementation of new enterprise resource planning (ERP) technology. Workday Financials has been chosen to support the business objectives for this transformation by providing a seamless, integrated solution for Human Resources and Payroll (previously implemented), Finance and Procurement. The University expects three primary areas of program benefit: functional benefits in the form of new and improved system capabilities, cost avoidance of maintaining and upgrading existing systems, and efficiencies in new business processes and organization. This transformation will move the institution toward a single financial system of record, and is a top administrative priority for the University. Total program costs are estimated at $340 million, which includes all operating and capital costs for implementation and one year of stabilization. Go-live for UWFT is expected to be July 1, 2023.

FINANCIAL STATEMENTS & NOTES

STATEMENTS OF NET POSITION

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNIT VALLEY MEDICAL CENTER	
	June 30,		June 30,	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**2021**	**2020**	**2021**	**2020**
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS (NOTE 3)	$ 137,411	$ 143,195	$ 152,700	$ 114,880
INVESTMENTS, CURRENT PORTION (NOTE 7)	1,364,521	999,750	25,335	74,035
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE OF $53,191 and $23,896) (NOTE 6)	1,137,372	825,053	92,091	89,817
OTHER CURRENT ASSETS	66,417	61,868	33,331	31,829
TOTAL CURRENT ASSETS	2,705,721	2,029,866	303,457	310,561
NONCURRENT ASSETS:				
DEPOSIT WITH STATE OF WASHINGTON (NOTE 4)	80,005	78,673	—	—
INVESTMENTS, NET OF CURRENT PORTION (NOTE 7)	6,764,421	5,515,973	150	257
METROPOLITAN TRACT (NOTE 8)	196,146	182,970	—	—
STUDENT LOANS RECEIVABLE (NET OF ALLOWANCE OF $3,564 and $4,520) (NOTE 5)	45,473	48,945	—	—
OTHER NONCURRENT ASSETS	309,951	256,558	128,103	144,978
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF $5,456,450 and $5,103,381) (NOTE 9)	4,975,968	4,971,660	403,584	393,772
TOTAL NONCURRENT ASSETS	12,371,964	11,054,779	531,837	539,007
TOTAL ASSETS	15,077,685	13,084,645	835,294	849,568
DEFERRED OUTFLOWS OF RESOURCES (NOTE 13)	742,444	639,368	14,033	15,112
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 15,820,129**	**$ 13,724,013**	**$ 849,327**	**$ 864,680**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 970,795	$ 963,443	$ 149,841	$ 136,125
UNEARNED REVENUES	314,886	363,606	45,265	82,186
OTHER CURRENT LIABILITIES	25,000	—	—	—
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 10-12)	312,165	161,269	9,564	10,570
TOTAL CURRENT LIABILITIES	1,622,846	1,488,318	204,670	228,881
NONCURRENT LIABILITIES:				
U.S. GOVERNMENT GRANTS REFUNDABLE	32,523	34,790	—	—
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 10-12)	2,822,042	2,719,287	328,739	328,062
PENSION LIABILITIES (NOTE 16)	559,819	1,198,088	—	—
OTHER POST-EMPLOYMENT BENEFITS (NOTE 17)	1,696,027	1,541,654	—	—
TOTAL NONCURRENT LIABILITIES	5,110,411	5,493,819	328,739	328,062
TOTAL LIABILITIES	6,733,257	6,982,137	533,409	556,943
DEFERRED INFLOWS OF RESOURCES (NOTE 13)	1,178,137	834,820	27,723	29,190
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**7,911,394**	**7,816,957**	**561,132**	**586,133**
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	2,519,360	2,531,666	123,279	118,350
RESTRICTED:				
NONEXPENDABLE	1,995,857	1,882,929	—	—
EXPENDABLE	3,211,485	2,243,384	1,112	856
UNRESTRICTED	182,033	(750,923)	163,804	159,341
TOTAL NET POSITION	7,908,735	5,907,056	288,195	278,547
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 15,820,129**	**$ 13,724,013**	**$ 849,327**	**$ 864,680**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNIT VALLEY MEDICAL CENTER	
	Year ended June 30,		Year ended June 30,	
REVENUES	**2021**	**2020**	**2021**	**2020**
OPERATING REVENUES:				
NET PATIENT SERVICE REVENUES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF $22,634 and $17,238)	$ 2,207,768	$ 2,092,975	$ 707,368	$ 639,971
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF $230,927 and $198,769)	1,032,697	1,058,271	—	—
FEDERAL GRANTS AND CONTRACTS	1,123,184	1,081,880	—	—
STATE AND LOCAL GRANTS AND CONTRACTS	156,600	132,119	—	—
NONGOVERNMENTAL GRANTS AND CONTRACTS	287,021	277,624	—	—
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	463,060	283,169	—	—
AUXILIARY ENTERPRISES:				
HOUSING AND FOOD SERVICES	71,265	114,726	—	—
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF $6,694 and $8,143)	37,732	91,535	—	—
OTHER AUXILIARY ENTERPRISES	188,166	213,887	—	—
OTHER OPERATING REVENUE	273,889	156,863	73,421	67,063
TOTAL OPERATING REVENUES	**5,841,382**	**5,503,049**	**780,789**	**707,034**
EXPENSES				
OPERATING EXPENSES (NOTE 14):				
SALARIES	2,898,297	2,961,040	408,510	381,791
BENEFITS	849,676	920,605	104,859	93,547
SCHOLARSHIPS AND FELLOWSHIPS	192,021	153,869	—	—
UTILITIES	58,866	61,804	6,259	5,563
SUPPLIES AND MATERIALS	753,831	663,676	113,622	108,019
PURCHASED SERVICES	905,707	954,758	103,230	91,190
DEPRECIATION/AMORTIZATION	377,838	388,338	32,319	33,366
OTHER	211,567	243,390	32,528	33,495
TOTAL OPERATING EXPENSES	**6,247,803**	**6,347,480**	**801,327**	**746,971**
OPERATING LOSS	**(406,421)**	**(844,431)**	**(20,538)**	**(39,937)**
NONOPERATING REVENUES (EXPENSES)				
STATE APPROPRIATIONS	480,826	415,030	—	—
GIFTS	214,620	219,542	—	—
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE OF $10,580 and $7,964)	1,341,974	208,987	(2,231)	8,786
INTEREST ON CAPITAL ASSET-RELATED DEBT	(87,093)	(92,739)	(12,701)	(13,961)
PELL GRANT REVENUE	51,969	51,719	—	—
PROPERTY TAX REVENUE	—	—	24,373	24,003
OTHER NONOPERATING REVENUES (EXPENSES)	149,427	118,883	20,745	27,824
NET NONOPERATING REVENUES	**2,151,723**	**921,422**	**30,186**	**46,652**
INCOME BEFORE OTHER REVENUES	**1,745,302**	**76,991**	**9,648**	**6,715**
CAPITAL APPROPRIATIONS	69,557	23,098	—	—
CAPITAL GRANTS, GIFTS AND OTHER	119,803	179,089	—	—
GIFTS TO PERMANENT ENDOWMENTS	67,017	65,425	—	—
TOTAL OTHER REVENUES	**256,377**	**267,612**	**—**	**—**
INCREASE IN NET POSITION	**2,001,679**	**344,603**	**9,648**	**6,715**
NET POSITION				
NET POSITION – BEGINNING OF YEAR (NOTE 1)	5,907,056	5,562,453	278,547	271,832
NET POSITION – END OF YEAR	**$ 7,908,735**	**$ 5,907,056**	**$ 288,195**	**$ 278,547**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF CASH FLOWS

	UNIVERSITY OF WASHINGTON	
	Year Ended June 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	**2021**	**2020**
PATIENT SERVICES	$ 2,116,804	$ 2,105,973
STUDENT TUITION AND FEES	1,001,158	1,013,436
GRANTS AND CONTRACTS	1,568,641	1,517,392
PAYMENTS TO SUPPLIERS	(725,235)	(675,574)
PAYMENTS FOR UTILITIES	(57,414)	(63,570)
PURCHASED SERVICES	(883,137)	(955,809)
OTHER OPERATING DISBURSEMENTS	(208,819)	(243,539)
PAYMENTS TO EMPLOYEES	(2,883,152)	(2,960,222)
PAYMENTS FOR BENEFITS	(850,449)	(850,441)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(192,021)	(153,173)
LOANS ISSUED TO STUDENTS	(5,310)	(3,805)
COLLECTION OF LOANS TO STUDENTS	8,782	15,597
AUXILIARY ENTERPRISE RECEIPTS	260,554	413,271
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	399,882	267,163
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	861,530	925,020
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(857,506)	(983,117)
OTHER RECEIPTS	139,699	249,732
NET CASH USED BY OPERATING ACTIVITIES	**(305,993)**	**(381,666)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
STATE APPROPRIATIONS	485,910	429,393
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	112,930	51,719
PRIVATE GIFTS	147,585	165,422
PERMANENT ENDOWMENT RECEIPTS	67,017	65,425
DIRECT LENDING RECEIPTS	216,237	234,139
DIRECT LENDING DISBURSEMENTS	(216,237)	(219,568)
FEDERAL STIMULUS FUNDING	172,371	124,575
OTHER	22,804	31,502
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**1,008,617**	**882,607**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL DEBT	565,770	172,136
STATE CAPITAL APPROPRIATIONS	67,245	20,346
CAPITAL GRANTS AND GIFTS RECEIVED	55,619	179,001
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(402,947)	(406,338)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(543,254)	(151,988)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(85,012)	(91,221)
OTHER	2,845	(4,294)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(339,734)**	**(282,358)**

	Year Ended June 30,	
CASH FLOWS FROM INVESTING ACTIVITIES	**2021**	**2020**
PROCEEDS FROM SALES OF INVESTMENTS	8,658,988	8,907,673
DISBURSEMENTS FOR PURCHASES OF INVESTMENTS	(9,124,882)	(9,157,311)
INVESTMENT INCOME	97,220	88,734
NET CASH USED BY INVESTING ACTIVITIES	**(368,674)**	**(160,904)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,784)	57,679
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	143,195	85,516
CASH AND CASH EQUIVALENTS-END OF THE YEAR	**$ 137,411**	**$ 143,195**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	$ (406,421)	$ (844,431)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
DEPRECIATION/AMORTIZATION EXPENSE	377,838	388,338
CHANGES IN ASSETS, LIABILITIES AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:		
RECEIVABLES	(238,085)	22,190
OTHER ASSETS	(58,014)	(41,685)
PENSION AND OPEB RELATED DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES	233,591	(284,066)
PENSION LIABILITIES	(638,269)	54,605
OPEB LIABILITY	154,373	187,477
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	106,049	(54,633)
UNEARNED REVENUE	(88,837)	143,015
OTHER LONG-TERM LIABILITIES	250,578	44,288
U.S. GOVERNMENTAL GRANTS REFUNDABLE	(2,268)	(8,556)
LOANS TO STUDENTS	3,472	11,792
NET CASH USED BY OPERATING ACTIVITIES	**(305,993)**	**(381,666)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
STOCK GIFTS	66,287	51,481
INCREASE IN INTEREST IN SEATTLE CANCER CARE ALLIANCE	50,837	25,062
NET UNREALIZED GAINS (LOSSES)	1,134,329	(82,418)
EXTERNALLY MANAGED TRUSTS	(30,255)	7,257
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	**$ 1,221,198**	**$ 1,382**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

JUNE 30,

	2021			2020		
	CUSTODIAL FUNDS			CUSTODIAL FUNDS		
	EXTERNAL INVESTMENT POOL	OTHER	TOTAL	EXTERNAL INVESTMENT POOL	OTHER	TOTAL
ASSETS:						
POOLED INVESTMENTS AT FAIR VALUE	$ 74,545	$ —	$ 74,545	$ 55,687	$ —	$ 55,687
OTHER ASSETS	—	3,269	3,269	—	837	837
TOTAL ASSETS	**$ 74,545**	**$ 3,269**	**$ 77,814**	**$ 55,687**	**$ 837**	**$ 56,524**
FIDUCIARY NET POSITION:						
POOL PARTICIPANTS	$ 74,545	$ —	$ 74,545	$ 55,687	$ —	$ 55,687
ORGANIZATIONS AND OTHER GOVERNMENTS	—	3,269	3,269	—	837	837
TOTAL FIDUCIARY NET POSITION	**$ 74,545**	**$ 3,269**	**$ 77,814**	**$ 55,687**	**$ 837**	**$ 56,524**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

YEAR ENDED JUNE 30,

	2021			**2020**		
	CUSTODIAL FUNDS			CUSTODIAL FUNDS		
	EXTERNAL INVESTMENT POOL	OTHER	TOTAL	EXTERNAL INVESTMENT POOL	OTHER	TOTAL
ADDITIONS:						
GIFTS	$ 2,010	$ 22,350	$ 24,360	$ 1,164	$ 21,953	$ 23,117
COLLATERAL RECEIVED AND RELATED ADDITIONS	—	17,192	17,192	—	15,682	15,682
INVESTMENT EARNINGS:						
CHANGE IN FAIR VALUE	17,528	—	17,528	(2,539)	—	(2,539)
INTEREST, DIVIDENDS, AND OTHER	1,494	—	1,494	2,514	—	2,514
TOTAL INVESTMENT EARNINGS	19,022	—	19,022	(25)	—	(25)
LESS INVESTMENT ACTIVITY COSTS	(71)	—	(71)	(69)	—	(69)
NET INVESTMENT EARNINGS	18,951	—	18,951	(94)	—	(94)
TOTAL ADDITIONS	**20,961**	**39,542**	**60,503**	**1,070**	**37,635**	**38,705**
DEDUCTIONS:						
BENEFITS PAID TO PARTICIPANTS OR BENEFICIARIES	—	22,174	22,174	—	22,094	22,094
DISTRIBUTION TO POOL PARTICIPANTS	2,103	—	2,103	2,064	—	2,064
COLLATERAL DISBURSED AND RELATED DEDUCTIONS	—	14,936	14,936	—	15,992	15,992
TOTAL DEDUCTIONS	**2,103**	**37,110**	**39,213**	**2,064**	**38,086**	**40,150**
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	**18,858**	**2,432**	**21,290**	**(994)**	**(451)**	**(1,445)**
FIDUCIARY NET POSITION:						
FIDUCIARY NET POSITION - BEGINNING OF YEAR	55,687	837	56,524	56,681	1,288	57,969
FIDUCIARY NET POSITION - END OF YEAR	**$ 74,545**	**$ 3,269**	**$ 77,814**	**$ 55,687**	**$ 837**	**$ 56,524**

See accompanying notes to financial statements

Dollars in thousands

NOTE 1:

Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY

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

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

Harborview Medical Center (HMC), a component unit of King County, Washington, is a related party to the University, but is not reflected as part of the financial reporting entity (see note 15).

Component units are legally separate organizations for which the University is financially accountable. Financial accountability is demonstrated when one of several conditions exist, such as when the University appoints a voting majority of the organization's board, is able to impose its will on the organization, receives specific financial benefit or incurs specific financial burdens from the organization, or the organization is fiscally dependent on the University. Financial disclosures for these entities are reported in the financial statements of the University in one of two ways: the component units' reported amounts may be blended with amounts reported by the University, or they may be disclosed in a separate column. All component units of the University meet the criteria for blending in accordance with Governmental Accounting Standards Board (GASB) code section 2600, "Reporting Entity and Component Unit Presentation and Disclosure", except Valley Medical Center. Valley Medical Center is reported discretely since it has a separate board of trustees, it does not provide services exclusively to the University, and it is not a nonprofit corporation of which the University is the sole corporate member.

CHANGE IN REPORTING ENTITY

On February 8, 2018 the University's Board of Regents approved the dissolution of Northwest Hospital & Medical Center (NWH), a Washington non-profit corporation, and integration of NWH and UWMC. The integration occurred on January 1, 2020, at which time NWH ceased operations and the University accepted the assets, liabilities, and remaining operations of the corporate entity. At the time of the integration, Northwest Hospital became the Northwest Campus of UWMC and ceased to be a blended component unit of the University. The integration was accounted for as a government merger and, as such, is reflected in the University's consolidated financial statements as if the merger had occurred on July 1, 2019.

BLENDED COMPONENT UNITS

The following entities are presented as blended component units of the University.

MEDICAL ENTITIES

The Association of University Physicians dba UW Physicians (UWP)

UWP is a Washington nonprofit corporation formed in 1983 for the exclusive benefit of the University of Washington School of Medicine (SOM). UWP employs SOM faculty and bills and collects for their clinical services as an agent for SOM. UWP had operating revenues of $405.0 million and $354.8 million for the years ended June 30, 2021 and 2020, respectively.

UW Medicine Neighborhood Clinics (Neighborhood Clinics)

Neighborhood Clinics is a Washington nonprofit corporation formed in 1996 exclusively for charitable, scientific and educational purposes for the benefit of SOM, UWP and its affiliated medical centers, HMC and UWMC. Neighborhood Clinics was organized to coordinate and develop patient care in a community clinical setting. Neighborhood Clinics enhances the academic environment of SOM by providing additional sites of primary care practice and training for faculty, residents and students. Neighborhood Clinics had operating revenues of $33.7 million and $31.1 million for the years ended June 30, 2021 and 2020, respectively.

REAL ESTATE ENTITIES

The entities listed below are nonprofit corporations that were formed for the purposes of acquiring and constructing certain real properties for the benefit of the University to help fulfill its educational, medical and scientific research missions. The entities issue tax-exempt and taxable bonds to finance these activities.

- Washington Biomedical Research Properties I
- Washington Biomedical Research Properties II
- Washington Biomedical Research Facilities 3
- Washington Biomedical Research Properties 3.2
- Washington Biomedical Research Properties 3.3

As of June 30, 2021 and 2020, these entities had net capital assets of $315.4 million and $335.6 million, respectively, and long-term debt of $321.1 million and $338.1 million, respectively. These amounts are reflected in the University's financial statements.

DISCRETELY PRESENTED COMPONENT UNIT

Valley Medical Center

The University and Public Hospital District No. 1 of King County, a Washington public hospital district dba Valley Medical Center (VMC), participate in a Strategic Alliance Agreement. VMC owns and operates a 341-bed full-service acute care hospital and 45 clinics located throughout southeast King County. The audited financial statements of VMC are available by contacting VMC at 400 S. 43rd Street, Renton, Washington 98055 or online at the following address: valleymed.org/about-us/financial-information.

JOINT VENTURES

The University, together with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center, are members of 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 holds a one-third interest in the joint venture. The University accounts for its interest in the SCCA under the equity method of accounting. As of June 30, 2021 and 2020, the University's investment in the SCCA totaled $259.3 million and $208.4 million, respectively. The University's investment in the SCCA is included in other noncurrent assets in its Statements of Net Position. The University reported investment income of $50.8 million and $25.1 million for its share of the joint venture for the years ended June 30, 2021 and 2020, 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 and charitable, educational and scientific missions. CUMG employs SOM faculty physicians, and bills and collects for their services as an agent for SOM. The University's patient services receivable (see note 6) as of June 30, 2021 and 2020 includes amounts due from CUMG of $12.3 million and $17.8 million, respectively.

In October 2018, the University became an equity member in PNWCIN, LLC dba Embright (Embright), a Limited Liability Company. Embright is jointly owned by the University, MultiCare Health System and LifePoint Health. As a clinically integrated network in the Pacific Northwest owned by healthcare provider organizations, Embright enables the members to partner together to further the Triple Aim of improving the patient care experience and improving the health of populations while reducing costs. Together, the members represent 14 hospitals, more than 6,500 providers and over 600 outpatient sites of care. Embright's broad geographical reach assures that patients will have access to the full continuum of care, including preventive, primary, secondary, tertiary, quaternary and post-acute care. Throughout the network, teams are also implementing evidence-based clinical protocols, care pathways, standardized processes and care management services for complex patients. As of June 30, 2021 and 2020, the University's ownership interest in Embright totaled $2.2 million and $1.8 million, respectively. The University's ownership interest in Embright is recorded in other noncurrent assets in the University's Statements of Net Position.

BASIS OF ACCOUNTING

The financial statements of the University have been prepared in accordance with GASB, code section Co5, "*Colleges and Universities*", under which the University is considered to be a special-purpose government engaged in business-type activities (BTA). 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, Statements of Fiduciary Net Position, Statements of Changes in Fiduciary Net Position, 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, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. Significant intra-entity transactions are eliminated. The University reports capital assets net of accumulated depreciation and amortization (as applicable), and reports depreciation and amortization expense in the Statements of Revenues, Expenses and Changes in Net Position.

On July 1, 2020, the University implemented GASB Statement No. 84, "*Fiduciary Activities*." This Statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. Governments with activities meeting the criteria are required to present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Custodial assets held for three months or less are exempt from the reporting requirements. To reflect the changes resulting from this implementation, the University has added the Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position for all years presented. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2020 have been restated to conform with the requirements of this Statement and current year presentation.

With the adoption of GASB Statement No. 84, net position was restated at July 1, 2019. Below is a reconciliation of total net position as previously reported at June 30, 2019, to the restated net position.

(Dollars in thousands)

NET POSITION AT JUNE 30, 2019, AS PREVIOUSLY REPORTED	$	5,578,326
ADOPTION OF GASB STATEMENT NO. 84		(15,873)
NET POSITION AT JULY 1, 2019, AS RESTATED	**$**	**5,562,453**

On July 1, 2020, the University implemented GASB Statement No. 92, "*Omnibus 2020*." This Statement addresses a variety of topics, including specific provisions related to leases, certain intra-entity transfers between a primary government and a component unit's post-retirement benefit plan, reporting of post-employment plan assets accumulated outside of a qualified trust, certain requirements related to fiduciary activities' post-employment benefit arrangements, measurement of asset retirement obligations resulting from a government acquisition, public entity risk pools, fair value measurements, and derivative instrument terminology. Implementation of this Statement did not have a material impact on the University's financial statements.

CHANGE IN ACCOUNTING ESTIMATE

On July 1, 2020, the state of Washington established a trust for contributions paid by the University for the benefit of the University of Washington Supplemental Retirement Plan (UWSRP) in accordance with Revised Code of Washington (RCW) 41.50.075. As a result, the guidance governing the accounting for the UWSRP has changed from GASB codification section P22 "*Pension Activities – Reporting for Benefits Not Provided through Trusts That Meet Specific Criteria*" to GASB codification section P20 "*Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specific Criteria*."

This event gives rise to a change in the University's estimates of future obligations, deferrals, and pension expense related to the UWSRP. Specifically, $61.0 million of contributions paid in prior years and recognized as benefits expense have been reported as Capital Grants, Gifts and Other revenue on the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ending June 30, 2021. In addition, the University will now report the plan's net pension liability (total pension liability less the plan's fiduciary net position), related deferrals, and pension expense in accordance with GASB codification section P20. Prior to this change in estimate, the University reported the plan's total pension liability.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In May 2020, the GASB issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*," which was effective upon issuance. This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. As a result, the University has postponed implementation of Statements No. 87 and No. 89.

In June 2017, the GASB issued Statement No. 87, "*Leases*," which will be effective for the fiscal year ending June 30, 2022, as amended by the issuance of Statement No. 95. This Statement changes the current classification of lease arrangements as either operating or capital leases, and establishes a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This Statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding

12 months. Lessees will be required to recognize a lease liability and an intangible right-to-use (ROU) lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. The University expects that implementation of this Statement will have a material impact on its financial statements. While the University continues to assess all of the impacts of implementation, it currently believes the most significant impact relates to the recognition of new ROU assets and lease liabilities on its Statements of Net Position for its real estate and equipment leases. When implemented, the University currently expects to recognize lease liabilities with corresponding ROU assets of approximately $700 million. The University also expects to recognize lease receivables with corresponding deferred inflows of resources of approximately $320 million related to real estate agreements in which it is the lessor. The substantial majority of these relate to the University of Washington Metropolitan Tract (see note 8). The estimates above are based on the University's existing lease agreements and its currently estimated incremental borrowing rate. The actual impact could differ materially from these estimates based on future leasing activities as well as any changes in the University's estimated incremental borrowing rate.

In June 2018, the GASB issued Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period*," which will be effective for the fiscal year ending June 30, 2022, as amended by the issuance of Statement No. 95. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the University. This Statement will be applied on a prospective basis, and interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated. The University estimates that implementation of this Statement will result in approximately $2.0 million to $4.0 million of additional interest expense being recognized annually.

In May 2019, the GASB issued Statement No. 91, *"Conduit Debt Obligations,"* which will be effective for the fiscal year ending June 30, 2022. This Statement provides a single method for reporting conduit debt obligations of issuers. The Statement clarifies the existing definition of a conduit debt obligation, creates standards for accounting for commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves related financial statement disclosures. The Statement provides guidance for arrangements when capital assets are acquired with proceeds of conduit debt obligations and used by a third party that is obligated to pay the debt service. The University has not issued conduit debt; therefore, implementation of this Statement will have no impact on the University's financial statements.

In March 2020, the GASB issued Statement No. 93, *"Replacement of Interbank Offered Rates,"* which will be effective for the fiscal year ending June 30, 2022, as amended by Statement No. 95. This Statement addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. While the University continues to assess the impact of implementation of this Statement, it does not currently expect it to have a material impact on the University's financial statements.

In March 2020, the GASB issued Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements,"* which will be effective for the fiscal year ending June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). APAs are agreements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The University is currently assessing the impact of implementation of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*," which will be effective for the fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement defines an SBITA, establishes that an SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The University has begun initial work to identify contracts and agreements that are within the scope of this Statement and is currently assessing the impact of the implementation on its financial statements.

In June 2020, the GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*." Some requirements of this statement related to defined contribution post-employment benefit plans and fiduciary defined benefit post-employment benefit plans are effective immediately. Management has concluded that these requirements have no material impact on the University. The remaining requirements are effective for the fiscal year ending June 30, 2022. This Statement provides guidance intended to increase consistency and comparability related to reporting of fiduciary component units in situations where a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform. The Statement also intends to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. Lastly, the Statement seeks to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan, and for benefits provided through those plans. While the University continues to assess the impact of implementation of this Statement, it does not currently expect implementation to have a material impact on the financial statements.

USE OF ESTIMATES

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

The University estimates the pollution remediation liability (see remediation liabilities, note 10) 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 (see notes 5 and 6) 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 University's share of pension and other post-employment benefit plan assets, liabilities, deferrals and expenses, are based on actuarial valuations prepared by an external actuary. The results of an actuarial valuation are estimates based on historical data, actuarial assumptions, and the demographics of the employee and retiree populations.

The self-insurance reserve (see note 18) is estimated through an externally prepared actuarial calculation using individual case-basis valuations and statistical analyses. Considerable variability is inherent in such estimates.

The University's interests in certain non-readily marketable alternative investments, such as hedge funds and private equity limited partnerships, are stated at fair value based on net asset value estimates used as a practical expedient reported to the University by investment fund managers.

Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value

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. Cash equivalents included in short-term investments is excluded from the beginning and ending cash amounts on the Statements of Cash Flows.

Inventories. Inventories are carried at the lower of cost or market value and are reflected in other current assets on the University's Statements of Net Position. 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 materials and intangibles are stated at cost or, if acquired by gift, at fair market value at the date of the gift, less accumulated depreciation and amortization. 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 materials, and 3 to 15 years for intangibles.

Capital assets that are financed by capital leases are depreciated in the same manner as other capital assets.

Interest incurred on capital asset-related debt was $88.0 million and $94.2 million for the years ended June 30, 2021 and 2020, respectively. The University capitalized $0.9 million and $1.5 million of this cost for the years ended June 30, 2021 and 2020, respectively.

Unearned Revenues. Unearned revenues occur when funds have been collected in advance of when the associated goods or services have been provided, such as advance ticket sales, summer quarter tuition, unspent cash advances on certain grants and advance Medicare payments as described in note 2.

Asset Retirement Obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. AROs are measured at the current value of the estimated costs required to dispose of the asset. AROs are included in long-term liabilities on the University's Statements of Net Position (see remediation liabilities, note 10), and represent costs related to two cyclotrons used for research, clinical applications, and education. Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 246, "Department of Health". The University used the decommissioning guidance provided by the U.S. Nuclear Regulatory Commission to estimate the disposal costs. The assets identified have estimated remaining useful lives of 10 and 15 years. The University has issued a statement of intent to the Washington Department of Health to request funding from the state legislature to fund the decommissioning of these assets. The University has no assets restricted for payment of these obligations. The University has not recognized an obligation for costs that would be incurred in the event that the University relinquished its license from the Department of Health and ceased use of radioactive materials in its operations as the likelihood of this occurring is remote.

Cost-Sharing Pension Plans. The net pension asset or liability is measured as the University's proportionate share of the collective total pension liability, less the fiduciary net position, of the cost-sharing pension plans in which the University participates. The total pension liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits. The University's proportionate share is determined based on the relationship of University contributions to total contributions to the plan by all participating employers. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years. Contributions made to the plan subsequent to the measurement date and prior to the University's fiscal year-end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the net pension asset or liability is June 30 of the prior fiscal year.

Single Employer Pension Plan (UW Supplemental Retirement Plan). Legislation signed into law on July 1, 2020, amended the RCW applicable to the UWSRP to define plan provisions including limits on member eligibility, benefit payments, vesting terms and contribution rates. As a result of these amendments, the University is unable to modify the terms of the plan. Administration of the benefit calculations and payments remain the responsibility of the University until the state's Pension Funding Council determines the trust has sufficient assets, at which time the Department of Retirement Systems will assume those duties in accordance with RCW 41.50.280. Other agencies of the state of Washington perform the duties of a board and hold the substantive powers in relation to the UWSRP. The University does not perform the duties of a board or hold any of the substantive powers that would make the plan a fiduciary component unit of the University.

The total pension liability is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used for the total pension liability as of June 30, 2021, reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. The discount rate used for the total pension liability as of June 30, 2020, is the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average credit rating of AA/Aa or higher. The UWSRP liability as of June 30, 2021, represents the total pension liability less the plan's fiduciary net position. The UWSRP liability as of June 30, 2020, represents the total pension liability. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years (fiscal year 2021 only). The measurement date for the UWSRP liability is the same as the Statements of Net Position date.

Other Post Employment Benefits (OPEB). The total OPEB liability is measured as the University's proportionate share of the state of Washington total OPEB liability, with the proportionate share determined based on the relationship of the University's healthcare-eligible headcount to the total healthcare-eligible headcount for the state. The total OPEB liability is determined by discounting projected benefit subsidies for current employees and retirees based on the discount rate required by GASB Statement No. 75 for OPEB plans that do not have assets residing in a qualified trust. OPEB expense is recognized for subsidies earned during the period, interest on the total OPEB liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for healthcare-eligible employees. Contributions made to the plan subsequent to the measurement date and prior to the University's fiscal year-end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the total OPEB liability is June 30 of the prior fiscal year.

Split-Interest Agreements. Under such agreements, donors make gifts to the University but the University is not the sole beneficiary and receives either a lead interest (distributions during the term of the agreement) or a remainder interest (distribution of assets remaining at the end of the agreement). Charitable trusts, charitable gift annuities, pooled income funds and beneficial interests in charitable trusts are examples of split-interest gifts. Where the University holds a remainder interest in a trust that is also administered by the University, an asset related to these agreements is recorded at fair market value, a deferred inflow is recorded for the remainder value, and a liability is recorded equal to the present value of expected future distributions to the income beneficiaries. The liability is calculated using discount rates ranging from 3.4% to 7.5%. Additionally, donors have established and funded trusts which are administered by organizations other than the University. Under the terms of these trusts, the University has the irrevocable right to receive all or a portion of the income earned on the trust assets in perpetuity. The University does not control the assets held by the outside trusts but recognizes an interest in the trusts, based on the fair value of the assets contributed to the trusts, mostly as permanently restricted contributions. Fluctuation in the fair value of these assets are recorded annually as revenue and impact restricted nonexpendable net position.

Compensated Absences. University employees accrue annual leave at rates based on length of service, and for sick leave at the rate of one day per month. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours, or for any balance upon retirement or death. Annual leave accrued at June 30, 2021 and 2020 was $198.4 million and $170.2 million, respectively, and is included in accounts payable and accrued liabilities in the University's Statements of Net Position. Sick leave accrued at June 30, 2021 and 2020 was $57.9 million and $54.7 million, respectively, and is included in long-term liabilities (see note 10) in the University's Statements of Net Position.

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

Third-party payer agreements with Medicare and Medicaid provide for payments at amounts different from established rates and 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.

For more information about net patient service revenue, see the audited financial statements of the UW Medicine Clinical Enterprise - UW Division, which are contained in the latest Bondholders Report at finance.uw.edu/treasury/bondholders/other-investor-material.

Financial Assistance. Financial assistance provides patient care without charge to patients who meet certain criteria under the financial assistance policy. Records are maintained to identify and monitor the level of financial assistance provided. These records include charges foregone for services and supplies furnished under the financial assistance policy to the uninsured and the underinsured. Collection of these amounts is not pursued and, as such, they are not reported as net patient service revenue. The cost of financial assistance provided is calculated based on the aggregate relationship of costs to charges. The estimated cost of financial assistance provided during the years ended June 30, 2021 and 2020 was $20.6 million and $22.9 million, respectively.

State Appropriations. The state of Washington appropriates funds to the University on both annual and biennial basis. This revenue is reported as nonoperating revenue in the Statements of Revenues, Expenses and Changes in Net Position when underlying expenditures are made.

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 and amortization, net of outstanding debt obligations related to capital assets;

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

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

Unrestricted net position**:** Net position not subject to externally-imposed restrictions, but 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 and certain federal excise taxes.

Reclassifications. Certain amounts in the 2020 financial statement footnotes have have been reclassified for comparative purposes to conform to the presentation in the 2021 financial statements.

NOTE 2:

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) to be a pandemic. The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on societal and economic conditions at a local, national, and global level and has had a significant impact on the University's operations. In February 2020, the Governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address COVID-19 and in March 2020, mandated the postponement of all non-emergent and elective medical procedures. Elective and non-urgent medical procedures were later resumed in May 2020. Both the national state of emergency and the Washington state of emergency continued throughout fiscal year 2021. In March 2020, University courses shifted to remote instruction and remained remote throughout the rest of the 2020-2021 academic year except for specific exceptions.

In response to financial pressures brought on by the pandemic, the Federal Government and the state of Washington have provided additional sources of liquidity to institutions of higher education and healthcare providers. During the years ended June 30, 2021 and 2020, the University received funds from the following sources as part of that response:

- *Medicare Advance Payment Program.* In order to increase cash flow to providers of services and suppliers impacted by the COVID-19 pandemic, the Centers for Medicare & Medicaid Services (CMS) temporarily expanded its Accelerated and Advance Payment Program. Inpatient acute care hospitals, children's hospitals, and certain cancer hospitals were able to request up to 100% of their Medicare payment amount for a six-month period. Amounts received by the University in April and May of 2020 under the Medicare Advance Payment Program will be recovered by Medicare by offsetting paid claims until the full amount is recouped. The University has up to 29 months from the date of the advance payment to repay the balance. Medicare began recouping these advance payments in April 2021.
- *Coronavirus Aid, Relief and Economic Security Act (CARES Act) Provider Relief Fund*. The Federal government passed the CARES Act in March 2020. The Provider Relief Fund makes funding available to healthcare providers to assist with lost revenues associated with lower volumes and cancelled procedures and services due to COVID-19. Provider relief funds consisted of both general and targeted distributions. The University has received both types of distributions.
- *Federal Emergency Management Agency (FEMA) Public Assistance Program.* The FEMA Public Assistance Program provides partial funding for costs related to emergency protective measures conducted as a result of the COVID-19

pandemic. Amounts received by the University under the FEMA Public Assistance Program represent expedited funding for estimated costs incurred by the University for the period from January through June 2020. Amounts unearned are currently expected to be recognized by the University as federal grant revenue when the claims that were submitted are approved.

- *CARES Act Higher Education Emergency Relief Fund (HEERF).* The CARES Act created the Higher Education Emergency Relief Fund (HEERF I), which makes funding available to colleges and universities to assist eligible students impacted by on-campus financial disruption (student aid) as well as to cover costs associated with significant changes to the delivery of instruction (institutional) due to COVID-19. Subsequently, additional funding was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, which created HEERF II, and the American Rescue Plan, which created HEERF III. The student portion of these funds is being distributed as emergency financial aid. The majority of the institutional portion has been directed to the University's Housing and Food Services auxiliary operation.
- *State Appropriations.* The state of Washington provided emergency funding in response to the COVID-19 pandemic for purposes of expanding lab capacity for COVID-19 testing, procuring medical supplies and equipment, sanitizing facilities and equipment, and providing information to the public. Additional funding has also been provided to partially cover revenues from clinical operations that were lost as a result of the pandemic and not covered by other funding sources.
- *CARES Act Paycheck Protection Program.* The CARES Act Paycheck Protection Program is a loan program that allows eligible businesses to apply for a loan of up to 2.5 times the average monthly payroll expense of the business.

The table below summarizes amounts recorded by the University as of June 30, 2021 and 2020, and for the years ended June 30, 2021 and 2020:

	University of Washington		**Discrete Component Unit - Valley Medical Center**	
(Dollars in thousands)	**2021**	**2020**	**2021**	**2020**
MEDICARE ADVANCE PAYMENT PROGRAM (1)	$ 108,789	$ 125,300	$ 57,408	$ 64,298
CARES ACT PROVIDER RELIEF FUND (2) (5)	34,574	65,553	19,855	47,929
FEMA PUBLIC ASSISTANCE PROGRAM (6)	31,871	31,890	—	—
CARES ACT HEERF - STUDENT AID (2)	49,691	17,601	—	—
STATE APPROPRIATIONS (3)	48,527	7,629	—	—
CARES ACT PAYCHECK PROTECTION PROGRAM (PPP) (4)	5,293	5,293	—	—
CARES ACT HEERF - INSTITUTIONAL (2)	42,696	4,238	—	—
TOTAL	**$ 321,441**	**$ 257,504**	**$ 77,263**	**$ 112,227**

(1) Included in "long-term liabilities" on the University's Statements of Net Position as of June 30, 2021, and as "unearned revenues" as of June 30, 2020. The change in presentation is the result of the Continuing Appropriations Act, 2021 and Other Extensions Act, effective on Oct. 1, 2020, which extended the repayment period for the advance.

(2) Included in "other nonoperating revenues" on the University's Statements of Revenues, Expenses and Changes in Net Position

(3) Included in "state appropriations" on the University's Statements of Revenues, Expenses and Changes in Net Position

(4) Included in "long-term liabilities" on the University's Statements of Net Position

(5) For the University's discrete component unit, $19.9 million and $30.0 million is included in "other nonoperating revenues" on the University's Statements of Revenues Expenses and Changes in Net Position as of June 30, 2021 and 2020, respectively. $17.9 million is included in "unearned revenues" on the University's Statements of Net Position as of June 30, 2020.

(6) Included in "unearned revenues" on the University's Statements of Net Position

The University and its discrete component unit both elected to defer payment of the employer portion of social security taxes through December 31, 2020, as provided for under the CARES Act. As of June 30, 2021 and 2020, amounts deferred by the University of $113.3 million and $30.7 million, respectively, and by the discrete component unit of $13.0 million and $3.6 million, respectively, were included in long-term liabilities on the University's Statements of Net Position.

NOTE 3:

Cash and Cash Equivalents

Cash includes cash on hand, petty cash and bank deposits. Cash equivalents includes treasury securities with maturities of less than 90 days and money market funds with remaining maturities of one year or less at the time of purchase. Most cash, except for cash held at the University and cash held in foreign banks, is covered by the Federal Deposit Insurance Corporation (FDIC), or if greater than FDIC limits, by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

NOTE 4:

Deposit with State of Washington

State law requires the University to deposit certain funds with the state treasurer, who holds and invests the funds. These deposits include amounts held for the University's permanent land grant funds, and the University building fee collected from students. The fair value of these funds approximates the carrying value.

NOTE 5:

Student Loans Receivable

As of June 30, 2021 and 2020, net student loans of $45.5 million and $48.9 million, respectively, consist of $32.5 million and $34.8 million, respectively, from federal programs, and $13.0 million and $14.1 million, respectively, from University programs. For the years ended June 30, 2021 and 2020, interest income from student loans was $0.6 million and $1.6 million, respectively. These unsecured loans are made primarily to students who reside in the state of Washington.

NOTE 6:

Accounts Receivable

The major components of accounts receivable as of June 30, 2021 and 2020 are as follows:

(Dollars in thousands)	**2021**	**2020**
NET PATIENT SERVICES	$ 445,254	$ 347,394
GRANTS AND CONTRACTS	254,962	189,399
INVESTMENTS	204,111	127,105
SALES AND SERVICES	125,371	62,193
DUE FROM OTHER AGENCIES	58,000	62,023
TUITION	15,329	14,823
STATE APPROPRIATIONS	12,251	15,024
ROYALTIES	2,920	8,071
OTHER	72,365	22,917
SUBTOTAL	1,190,563	848,949
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(53,191)	(23,896)
TOTAL	**$ 1,137,372**	**$ 825,053**

NOTE 7:

Investments

INVESTMENTS – GENERAL

The University of Washington Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the Chief Investment Officer, carries out the day-to-day activities of the investment portfolios. The University of Washington Investment Management Company Board ("UWINCO Board") consists of both Board of Regents' members and external investment professionals who advise UWINCO, the President and the Board of Regents.

The University holds significant amounts of investments that are measured at fair value on a recurring basis. The University is required to provide the following information according to the three-tier fair value hierarchy which is based on the observability of the inputs used in the valuation techniques to measure the fair value of certain financial assets and liabilities. The three-tier hierarchy ranks the quality and reliability of the information used to determine fair values and is summarized as follows:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.
- Level 3 Inputs – Inputs that are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

TABLE 1 – INVESTMENTS *(Dollars in thousands)*

INVESTMENTS BY FAIR VALUE LEVEL	2021	Fair Value Measurements Inputs: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FIXED INCOME SECURITIES				
U.S. TREASURY SECURITIES	$ 1,759,679	$ 18,629	$ 1,741,050	$ —
U.S. GOVERNMENT AGENCY	406,941	12,798	394,143	—
MORTGAGE BACKED	251,384	—	251,384	—
ASSET BACKED	424,420	—	424,420	—
CORPORATE AND OTHER	206,137	22,774	183,363	—
TOTAL FIXED INCOME SECURITIES	**3,048,561**	**54,201**	**2,994,360**	**—**
EQUITY SECURITIES				
GLOBAL EQUITY INVESTMENTS	639,501	634,313	5,188	—
REAL ESTATE	25,678	20,442	—	5,236
OTHER	10,189	—	—	10,189
TOTAL EQUITY SECURITIES	**675,368**	**654,755**	**5,188**	**15,425**
EXTERNALLY MANAGED TRUSTS	**153,793**	**—**	**—**	**153,793**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**3,877,722**	**$ 708,956**	**$ 2,999,548**	**$ 169,218**

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	2,062,207
ABSOLUTE RETURN STRATEGY FUNDS	714,894
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	854,297
REAL ASSET FUNDS	170,996
OTHER	55,270
TOTAL INVESTMENTS MEASURED USING NAV	**3,857,664**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE AND NAV	7,735,386
CASH EQUIVALENTS AT AMORTIZED COST	393,556
TOTAL INVESTMENTS	**$ 8,128,942**

INVESTMENTS BY FAIR VALUE LEVEL	2020	Fair Value Measurements Inputs: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FIXED INCOME SECURITIES				
U.S. TREASURY SECURITIES	$ 1,043,802	$ 15,660	$ 1,028,142	$ —
U.S. GOVERNMENT AGENCY	396,580	11,151	385,429	—
MORTGAGE BACKED	222,329	—	222,329	—
ASSET BACKED	213,099	—	213,099	—
CORPORATE AND OTHER	506,833	21,025	485,808	—
TOTAL FIXED INCOME SECURITIES	**2,382,643**	**47,836**	**2,334,807**	**—**
EQUITY SECURITIES				
GLOBAL EQUITY INVESTMENTS	535,298	532,623	2,675	—
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	324	—	—	324
REAL ESTATE	23,677	18,800	—	4,877
OTHER	7,546	—	—	7,546
TOTAL EQUITY SECURITIES	**566,845**	**551,423**	**2,675**	**12,747**
EXTERNALLY MANAGED TRUSTS	**123,539**	**—**	**—**	**123,539**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**3,073,027**	**$ 599,259**	**$ 2,337,482**	**$ 136,286**

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	1,527,184
ABSOLUTE RETURN STRATEGY FUNDS	649,895
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	532,244
REAL ASSET FUNDS	147,283
OTHER	70,654
TOTAL INVESTMENTS MEASURED USING NAV	**2,927,260**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE AND NAV	6,000,287
CASH EQUIVALENTS AT AMORTIZED COST	515,436
TOTAL INVESTMENTS	**$ 6,515,723**

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income and equity securities classified in Level 2 are valued using other observable inputs including quoted prices for similar securities and interest rates. Private equity, real assets and other investments classified in Level 3 are valued using either discounted cash flow or market comparable techniques.

The University's interests in certain non-readily marketable alternative investments, such as hedge funds and private equity limited partnerships, are stated at fair value based on NAV estimates used as a practical expedient reported to the University by investment fund managers. The valuation method for investments measured using NAV per share (or its equivalent) is presented in the following table:

TABLE 2 – INVESTMENTS MEASURED USING NAV *(Dollars in thousands)*

2021	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
GLOBAL EQUITY INVESTMENTS	$ 2,062,207	$ —	MONTHLY TO ANNUALLY	15-180 days
ABSOLUTE RETURN STRATEGY FUNDS	714,894	—	QUARTERLY TO ANNUALLY	30-90 days
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	854,297	554,603	N/A	—
REAL ASSETS FUNDS	170,996	85,166	N/A	—
OTHER	55,270	2,156	QUARTERLY TO ANNUALLY	30-95 days
TOTAL INVESTMENTS MEASURED USING NAV	**$ 3,857,664**			
2020	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
GLOBAL EQUITY INVESTMENTS	$ 1,527,184	$ —	MONTHLY TO ANNUALLY	15-180 days
ABSOLUTE RETURN STRATEGY FUNDS	649,895	13,095	QUARTERLY TO ANNUALLY	30-90 days
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	532,244	370,381	N/A	—
REAL ASSETS FUNDS	147,283	58,753	N/A	—
OTHER	70,654	32,674	QUARTERLY TO ANNUALLY	30-95 days
TOTAL INVESTMENTS MEASURED USING NAV	**$ 2,927,260**			

1. **Global Equity:** This investment category includes public equity investments in separately managed accounts, long-only comingled funds, unconstrained limited partnerships, and passive index funds. As of June 30, 2021 and 2020, approximately 79% and 78%, respectively, of the value of the investments in this category can be redeemed within 90 days. As of June 30, 2021 and 2020, approximately 94% and 92%, respectively, can be redeemed within one year.
2. **Absolute Return:** This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. As of June 30, 2021 and 2020, approximately 82% and 83%, respectively, of the value of the investments in this category can be redeemed within one year.
3. **Private equity and venture capital:** This category includes buyout, venture, and special situations funds. These investments cannot be redeemed at the request of the University. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that underlying assets of the funds will be liquidated over the next 1 to 10 years.
4. **Real assets:** This category includes real estate, natural resources, and other hard assets. These investments cannot be redeemed at the request of the University. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that underlying assets of the funds will be liquidated over the next 1 to 10 years.
5. **Other:** This category consists of opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. As of June 30, 2021 and 2020, approximately 37% and 25%, respectively, of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contain restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.

INVESTMENT POOLS

The University combines most short-term investment balances into the Invested Funds Pool. At June 30, 2021 and 2020, the Short-term and Intermediate-term Invested Funds Pools totaled $2.5 billion and $2.1 billion, respectively. The Invested Funds - Long-term Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $812.0 million and $625.0 million at June 30, 2021 and 2020, respectively. In addition, the Long-term Pool also owns a passive global equity index valued at $141.0 million as of June 30, 2021. Per 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 0.75% in fiscal years 2021 and 2020. University Advancement received 3.0% of the average balances in endowment operating and gift accounts in fiscal years 2021 and 2020. 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 the CEF, a pooled fund. 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.

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units starting with a 4.9% spending rate in fiscal year 2020, followed by a 4.7% spend rate in fiscal 2021. Quarterly distributions during fiscal year 2021 to programs are based on an annual percentage rate of 3.76%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for an administrative fee of 0.94% to support campus-wide fundraising and stewardship activities (0.752%) and to offset the internal cost of managing endowment assets (0.188%). The reduction to 4.5% will be in full effect for fiscal year 2022 and beyond.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. All endowments are recorded at the original gift value at June 30, 2021. Of the endowments that are recorded at current market value at June 30, 2020, the net deficiency from the original gift value was $5.5 million.

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $89.8 million and $170.0 million in fiscal years 2021 and 2020, respectively, from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the years ended June 30, 2021 and 2020 was $1,193.9 million and $95.0 million, respectively.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2021 and 2020, the University had outstanding commitments to fund alternative investments of $641.9 million and $474.9 million, respectively. These commitments are expected to be called over a multi-year time frame, generally 2-5 years depending on the type of fund. The University believes it has adequate liquidity and funding sources to meet these obligations.

DERIVATIVE INSTRUMENTS

The University's investment policies allow for investing in various derivative instruments, including futures, swaps and forwards, to manage exposures within or across its portfolio and to improve the portfolio's risk/return profile.

Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value.

As of June 30, 2021 and 2020, the University had outstanding futures contracts with notional amounts totaling $232.6 million and $65.1 million, respectively. As of June 30, 2021 and 2020, accumulated unrealized gains on these contracts totaled $760 thousand and $20 thousand, respectively. These accumulated unrealized gains are included in Investments on the Statements of Net Position. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price.

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, 2021 or 2020. No derivative instruments have been reclassified from a hedging instrument to an investment instrument.

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

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 1.95 years and 1.99 years at June 30, 2021 and 2020, respectively.

CREDIT RISK

Fixed income securities are also 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' short-term pool requires each manager to maintain an average quality rating of "AA" as issued by a nationally recognized rating organization. The Invested Funds' intermediate-term 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 is a calculation of the number of years required to recover the true cost of a bond. The duration measures presented in Table 4 below represent a broad average across all fixed income securities held in the CEF, the Invested Funds Pool (IF or operating funds) and debt service reserve funds. The CEF and IF portfolios are managed to have a duration below their policy benchmarks to protect principal and provide liquidity to the overall portfolio.

Duration and credit risk figures at June 30, 2021 and 2020 exclude $31.5 million and $32.3 million, respectively, of fixed income securities held by component units. These amounts make up 1.03% and 1.36%, respectively, of the University's fixed income investments, and are not included in the duration figures detailed in Table 4.

The composition of fixed income securities at June 30, 2021 and 2020, along with credit quality and effective duration measures, is summarized as follows:

TABLE 4 – FIXED INCOME: CREDIT QUALITY AND EFFECTIVE DURATION *(Dollars in thousands)*

2021

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (In years)
U.S. TREASURY SECURITIES	$ 1,741,050	$ —	$ —	$ —	$ 1,741,050	1.76
U.S. GOVERNMENT AGENCY	402,551	—	—	—	402,551	3.66
MORTGAGE BACKED	—	129,171	58,852	63,361	251,384	2.00
ASSET BACKED	—	367,299	14,682	42,439	424,420	0.83
CORPORATE AND OTHER	—	87,908	27,684	82,068	197,660	2.51
TOTAL	**$ 2,143,601**	**$ 584,378**	**$ 101,218**	**$ 187,868**	**$ 3,017,065**	**1.95**

2020

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (In years)
U.S. TREASURY SECURITIES	$ 1,028,142	$ —	$ —	$ —	$ 1,028,142	2.25
U.S. GOVERNMENT AGENCY	391,240	—	—	—	391,240	3.02
MORTGAGE BACKED	—	177,087	14,037	31,205	222,329	1.78
ASSET BACKED	—	190,520	3,400	19,179	213,099	1.16
CORPORATE AND OTHER	—	427,629	22,703	45,199	495,531	1.06
TOTAL	**$ 1,419,382**	**$ 795,236**	**$ 40,140**	**$ 95,583**	**$ 2,350,341**	**1.99**

*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 of $1.8 billion and $1.4 billion at June 30, 2021 and 2020, respectively.

TABLE 5 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)		**2021**		**2020**
CHINESE RENMINBI (CNY)	$	390,837	$	299,324
JAPANESE YEN (JPY)		258,092		229,546
INDIAN RUPEE (INR)		199,687		119,874
EURO (EUR)		176,789		150,466
BRITISH POUND (GBP)		138,836		96,832
BRAZIL REAL (BRL)		102,402		79,831
SOUTH KOREAN WON (KRW)		67,748		53,471
CANADIAN DOLLAR (CAD)		60,192		54,539
HONG KONG DOLLAR (HKD)		58,543		47,526
SINGAPORE DOLLAR (SGD)		54,863		24,635
SWEDISH KRONA (SEK)		45,463		30,295
SWISS FRANC (CHF)		43,872		33,393
TAIWANESE DOLLAR (TWD)		36,479		29,441
AUSTRALIAN DOLLAR (AUD)		26,735		37,665
SOUTH AFRICAN RAND (ZAR)		21,624		14,154
NORWEGIAN KRONE (NOK)		21,369		11,641
RUSSIAN RUBLE (RUB)		19,404		18,141
REMAINING CURRENCIES		91,819		80,837
TOTAL	**$**	**1,814,754**	**$**	**1,411,611**

NOTE 8:

Metropolitan Tract

The University of Washington Metropolitan Tract (Metropolitan Tract), located in downtown Seattle, comprises approximately 11 acres of developed property including office space, retail space, residential apartments, 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 on Lake Washington. Since the early 1900s, the University has managed the Metropolitan Tract by leasing to third party tenants, and ground leasing to entities responsible for developing and operating new buildings.

Deed restrictions and subsequent Washington State legislation govern the University's authority over the Metropolitan Tract. The original land deeds require that proceeds from a sale of Metropolitan Tract property be used to purchase land and improve or erect buildings. Any remaining funds are to be invested and the income derived is to be used for maintenance of University property. The state legislature enacted further restrictions over the past 160 years requiring legislative approval for the sale of real property on the Metropolitan Tract, and for leases of land or buildings with terms exceeding eighty years. Proceeds from an authorized sale must be deposited in the University's accounts established by the state treasury and used exclusively for construction, maintenance, or alterations to University buildings or debt service related to these activities.

The balances included on the Statements of Net Position as of June 30, 2021 and 2020 of $196.1 million and $183.0 million, respectively, represent the asset value net of operating liabilities and long-term debt on the property. The asset value is comprised primarily of land, buildings, building improvements and operating assets.

As of June 30, 2021 and 2020, total debt outstanding on the Metropolitan Tract was $29.0 million and $29.8 million, respectively. This debt will be repaid by income generated from the properties. The debt was issued in 2015 to refund commercial paper and to acquire the leasehold on the Cobb Building. These amounts are reflected in the balances for Metropolitan Tract on the Statements of Net Position, and are therefore not included in Note 10 or Note 12.

On September 12, 2017, the University executed a ground lease with a developer to construct a 58-story multi-use office tower (Rainier Square Tower). The Rainier Square Tower lease has an eighty-year term, required completion of the building in four years, is unsubordinated, and provides minimum ground rent during construction and 8% of adjusted gross revenue to the University thereafter. Completion of the building occurred in November 2020.

On October 10, 2019, the University signed an additional ground lease with the same developer on the Rainier Square block authorizing the construction of an 11-story office building (400 University Building). The 400 University Building lease commenced on January 1, 2020 for a seventy-eight year term, required completion of the building in three years, is unsubordinated, and provides minimum ground rent during construction and 10% of adjusted gross revenue to the University thereafter. Construction commenced in June 2020 and was completed in July 2021.

NOTE 9:

Capital Assets

Capital asset activity for the years ended June 30, 2021 and 2020 is summarized as follows:

(Dollars in thousands)	**Balance as of July 1, 2019**	**Additions/ Transfers**	**Retirements**	**Balance as of June 30, 2020**	**Additions/ Transfers**	**Retirements**	**Balance as of June 30, 2021**
LAND	$ 146,318	$ (227)	$ 2,854	$ 143,237	$ —	$ —	$ 143,237
INFRASTRUCTURE	314,386	602	401	314,587	3,769	20	318,336
BUILDINGS	7,030,386	97,261	11,115	7,116,532	363,152	3,884	7,475,800
FURNITURE, FIXTURES AND EQUIPMENT	1,560,863	45,786	174,948	1,431,701	108,937	45,438	1,495,200
LIBRARY MATERIALS	391,351	14,808	2,143	404,016	16,391	2,217	418,190
CAPITALIZED COLLECTIONS	7,678	(67)	—	7,611	23	—	7,634
INTANGIBLE ASSETS	215,432	7,014	140	222,306	2,219	—	224,525
CONSTRUCTION IN PROGRESS	132,333	230,974	6,452	356,855	(154,209)	5,084	197,562
INTANGIBLES IN PROCESS	34,743	43,453	—	78,196	73,738	—	151,934
TOTAL COST	**9,833,490**	**439,604**	**198,053**	**10,075,041**	**414,020**	**56,643**	**10,432,418**
LESS ACCUMULATED DEPRECIATION/ AMORTIZATION:							
INFRASTRUCTURE	137,609	8,338	392	145,555	8,451	20	153,986
BUILDINGS	3,029,540	275,487	9,641	3,295,386	248,088	3,701	3,539,773
FURNITURE, FIXTURES AND EQUIPMENT	1,303,036	72,617	171,337	1,204,316	97,243	19,324	1,282,235
LIBRARY MATERIALS	296,764	13,423	1,671	308,516	13,624	1,724	320,416
INTANGIBLE ASSETS	131,205	18,473	70	149,608	10,432	—	160,040
TOTAL ACCUMULATED DEPRECIATION/ AMORTIZATION	**4,898,154**	**388,338**	**183,111**	**5,103,381**	**377,838**	**24,769**	**5,456,450**
CAPITAL ASSETS, NET	**$ 4,935,336**	**$ 51,266**	**$ 14,942**	**$ 4,971,660**	**$ 36,182**	**$ 31,874**	**$ 4,975,968**

NOTE 10:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the years ended June 30, 2021 and 2020 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2019	Additions	Reductions	Balance as of June 30, 2020	Additions	Reductions	Balance as of June 30, 2021	Current portion as of June 30, 2020	Current portion as of June 30, 2021
BONDS PAYABLE:									
GENERAL OBLIGATION BONDS PAYABLE (NOTE 12)	$ 81,390	$ 12,410	$ 24,215	$ 69,585	$ 13,475	$ 25,375	$ 57,685	$ 10,685	$ 10,995
REVENUE BONDS PAYABLE (NOTE 12)	2,207,490	102,000	63,015	2,246,475	444,585	442,145	2,248,915	70,000	64,570
UNAMORTIZED PREMIUM ON BONDS	153,742	14,673	17,130	151,285	51,474	37,229	165,530	16,001	18,139
TOTAL BONDS PAYABLE	**2,442,622**	**129,083**	**104,360**	**2,467,345**	**509,534**	**504,749**	**2,472,130**	**96,686**	**93,704**
NOTES PAYABLE AND CAPITAL LEASES:									
NOTES PAYABLE & OTHER -CAPITAL ASSET RELATED (NOTE 12)	38,013	28,053	5,428	60,638	6,235	11,482	55,391	10,965	11,220
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 12)	1,494	114	100	1,508	362	98	1,772	1,508	1,738
CAPITAL LEASE OBLIGATIONS (NOTE 11)	7,651	—	2,200	5,451	—	2,024	3,427	1,964	1,836
TOTAL NOTES PAYABLE AND CAPITAL LEASES	**47,158**	**28,167**	**7,728**	**67,597**	**6,597**	**13,604**	**60,590**	**14,437**	**14,794**
OTHER LONG-TERM LIABILITIES:									
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	57,636	3,301	5,978	54,959	15,385	6,270	64,074	5,978	6,270
COVID-19 RELIEF (NOTE 2)	—	35,976	—	35,976	207,923	16,511	227,388	—	157,031
REMEDIATION LIABILITIES (NOTE 1)	33,153	632	—	33,785	—	—	33,785	—	—
HMC ITS FUNDING (NOTE 15)	23,822	447	—	24,269	—	—	24,269	9,600	7,600
SICK LEAVE (NOTE 1)	51,272	18,251	14,834	54,689	21,009	17,754	57,944	9,174	16,294
SELF-INSURANCE (NOTE 18)	100,163	41,339	16,421	125,081	71,805	16,372	180,514	25,323	16,396
OTHER NONCURRENT LIABILITIES	29,987	565	13,697	16,855	313	3,655	13,513	71	76
TOTAL OTHER LONG-TERM LIABILITIES	**296,033**	**100,511**	**50,930**	**345,614**	**316,435**	**60,562**	**601,487**	**50,146**	**203,667**
TOTAL LONG-TERM LIABILITIES	**$ 2,785,813**	**$ 257,761**	**$ 163,018**	**$ 2,880,556**	**$ 832,566**	**$ 578,915**	**$ 3,134,207**	**$ 161,269**	**$ 312,165**

DISCRETE COMPONENT UNIT

Long-term liability activity for the years ended June 30, 2021 and 2020 is summarized as follows:

	Balance as of July 1, 2019	Additions	Reductions	Balance as of June 30, 2020	Additions	Reductions	Balance as of June 30, 2021	Current portion as of June 30, 2020	Current portion as of June 30, 2021
VALLEY MEDICAL CENTER *(Dollars in thousands)*									
LIMITED TAX GENERAL OBLIGATION BONDS	$ 331,195	$ 6,680	$ 10,698	$ 327,177	$ —	$ 12,623	$ 314,554	$ 10,271	$ 8,376
REVENUE BONDS	10,773	—	10,773	—	—	—	—	—	—
BUILD AMERICA BONDS	—	—	—	—	—	—	—	—	—
NOTES PAYABLE & OTHER	6,956	4,781	282	11,455	19,831	7,537	23,749	299	1,188
TOTAL LONG-TERM LIABILITIES	**$ 348,924**	**$ 11,461**	**$ 21,753**	**$ 338,632**	**$ 19,831**	**$ 20,160**	**$ 338,303**	**$ 10,570**	**$ 9,564**

NOTE 11:

Leases

Future minimum lease payments under capital leases, and the present value of the net minimum lease payments as of June 30, 2021, are as follows:

CAPITAL LEASES

Year *(Dollars in thousands)*		**Future Payments**
2022	$	1,896
2023		1,494
2024		119
TOTAL MINIMUM LEASE PAYMENTS		3,509
LESS: AMOUNT REPRESENTING INTEREST COSTS		82
PRESENT VALUE OF MINIMUM PAYMENTS	**$**	**3,427**

OPERATING LEASES

The University has entered into certain lease agreements that are considered to be operating leases, primarily for leased building space. For the years ended June 30, 2021 and 2020, the University recorded rent expense of $96.8 million and $94.6 million, respectively, for these leases.

Future lease payments as of June 30, 2021 are as follows:

Year *(Dollars in Thousands)*		
2022	$	74,265
2023		71,770
2024		60,167
2025		56,844
2026		43,113
2027-2031		137,285
2032-2036		94,960
2037-2041		98,354
2042-2046		113,858
2047-2051		131,813
2052-2056		152,603
2057-2061		196,367
2062-2066		55,286
TOTAL MINIMUM LEASE PAYMENTS	**$**	**1,286,685**

NOTE 12:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2021consist of state of Washington General Obligation Bonds, University Revenue Bonds, and Notes Payable. These obligations have fixed interest rates ranging from 0.19% to 8.00%. As of June 30, 2021, substantially all of the University's debt was publicly offered debt. Amounts from direct borrowings and direct placements were not material. Debt service requirements as of June 30, 2021 are as follows:

BONDS AND NOTES PAYABLE *(Dollars in thousands)*

	STATE OF WASHINGTON GENERAL OBLIGATION BONDS		UNIVERSITY OF WASHINGTON GENERAL REVENUE BONDS		NOTES PAYABLE AND OTHER	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2022	$ 10,995	$ 2,604	$ 64,570	$ 97,966	$ 12,958	$ 785
2023	11,400	2,081	64,840	97,462	9,708	621
2024	11,855	1,497	64,440	94,511	9,603	519
2025	8,930	977	79,890	91,487	7,649	425
2026	5,350	560	83,500	88,317	3,626	354
2027-2031	9,155	429	426,030	388,190	12,364	879
2032-2036	—	—	447,915	299,527	1,008	60
2037-2041	—	—	487,885	188,258	247	12
2042-2046	—	—	374,720	83,919	—	—
2047-2051	—	—	155,125	20,597	—	—
TOTAL PAYMENTS	**$ 57,685**	**$ 8,148**	**$ 2,248,915**	**$ 1,450,234**	**$ 57,163**	**$ 3,655**

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.

ISSUANCE AND REFUNDING ACTIVITY

On March 4, 2021, the University issued $326.8 million in General Revenue and Refunding Bonds, 2021A and 2021B (Taxable), at a premium of $23.5 million. The average coupon of these bonds is 2.83%. Part of the proceeds refunded existing callable debt. The par amount of the refunded bonds was $229.5 million; the amount of refunding bonds was $244.8 million (plus premium of $1.7 million). The refunded bonds had coupon rates ranging from 4.0% to 5.0% with an average coupon of 5.0%; the new bonds have an average coupon of 2.18%. The refunding reduced the total debt service payments to be made by the University over the next 21 years by $48.9 million and resulted in a total economic gain of $50.2 million. The average life of the 2021A and 2021B (Taxable) bonds is 13.8 years with final maturity on April 1, 2051. The remainder of the proceeds were used to fund various projects such as the UW Medicine clinical transformation program ("Destination: One"), as well as construction of the Childbirth Center at UW Medical Center Northwest Campus and the renovation of Kincaid Hall. Some of the proceeds were also used to pay off $25.0 million in commercial paper.

On March 17, 2020, the University issued $102.0 million in General Revenue Bonds, 2020A and 2020B (Taxable), at a premium of $12.8 million. The 2020A and 2020B (Taxable) bonds have coupon rates ranging from 1.31% to 5.00% with an average coupon rate of 3.63%. The proceeds were used to fund various projects such as the UW Medicine clinical transformation program ("Destination: One"), as well as construction of the Childbirth Center at UW Medical Center Northwest Campus and renovation of Kincaid Hall. Some of the proceeds were also used to pay off $40.0 million in commercial paper.

On February 27, 2020, the University entered into a Delayed Delivery Bond Purchase Agreement with Bank of America Securities, Inc. (the "Purchase Agreement") in relation to the sale of General Revenue Bonds, 2020C (Delayed Delivery Bonds). The transaction closed on February 9, 2021. The proceeds of the 2020C bonds were used to refund existing callable debt. The 2020C bonds have a par value of $117.8 million and were issued at a premium of $26.4 million; the amount of refunded bonds was $142.7 million with an average coupon of 4.8%; the new bonds have an average coupon of 5.0%. The refunding decreased the total debt service payments to be made over the next 24 years by $33.1 million and resulted in a total economic gain of $27.6 million. The average life of the 2020C bonds is 7.6 years with a final maturity on April 1, 2035.

COMMERCIAL PAPER PROGRAM

The University has a commercial paper program with a maximum borrowing limit of $250.0 million, payable from University General Revenues. This short-term borrowing program is primarily used to fund capital expenditures. As of June 30, 2021, the University had $25.0 million, in outstanding commercial paper. The University had no outstanding commercial paper as of June 30, 2020.

During fiscal year 2021, the University issued $50.0 million of commercial paper debt. The University refunded $25.0 million of commercial paper debt with General Revenue and Refunding Bonds, series 2021A and 2021B (Taxable) during the same period.

During fiscal year 2020, the University issued $15.0 million of commercial paper debt. The University refunded $40.0 million of commercial paper debt with General Revenue Bonds, series 2020A&B during the same period.

SUBSEQUENT DEBT ACTIVITY

On July 20, 2021, the University issued $24.5 million in commercial paper debt; the proceeds were used to partially fund expenditures related to the University's Finance Transformation program.

CREDIT LINES

Effective August 13, 2020, the University entered into a Master Financing Agreement (the "2020 Master Financing Agreement") with JP Morgan Chase Bank to provide a non-revolving credit line available to the University for the financing of short-term assets (FAST), including personal property, to be drawn on from time to time. The 2020 Master Financing Agreement provides financing for the University's FAST Program. The 2020 Master Financing Agreement allows for draws in an aggregate amount not to exceed $40.0 million. The Bank and the University entered into two prior master financing agreements, one dated July 7, 2017 (the "2017 Master Financing Agreement") and the other dated November 14, 2014 (the "2014 Master Financing Agreement"), which allowed for draws up to an aggregate amount not to exceed $30.0 million and $12.0 million respectively. Each Master Financing Agreement replaced the prior agreement, however, draws on the prior master financing agreements remain outstanding until paid under the terms of that agreement. Outstanding borrowings as of June 30, 2021 and 2020 totaled $26.1 million and $25.0 million, respectively.

On August 13, 2020, the University entered into a Revolving Loan Agreement with Washington Federal Bank, National Association which provides a revolving loan through August 1, 2023, for up to $100.0 million to be used for providing additional liquidity and short-term emergency support for COVID-19 impacts. Taxable borrowings under the agreement bear interest at 2.21%; tax-exempt borrowings bear interest at 1.75%. Amounts borrowed under the agreement are payable solely from and secured by a pledge of the University's general revenues. The University made no draws and had no outstanding cash borrowings with respect to this agreement as of June 30, 2021.

On August 13, 2020, the University entered into a Revolving Credit Agreement with U.S. Bank National Association which provides a revolving line of credit through August 12, 2022, for up to $100.0 million to be used for providing additional liquidity and short-term emergency support for COVID-19 impacts. Borrowings for tax-exempt projects under the agreement bear interest at a fluctuating rate equal to 84% of the daily one-month LIBOR rate plus a margin of 1.22%; borrowings for taxable projects bear interest at a fluctuating rate equal to the daily one-month LIBOR rate plus a margin of 1.45%. The margins are subject to change depending on the University's credit rating. Amounts borrowed under the agreement are payable solely from and secured by a pledge of the University's general revenues. The University made no draws and had no outstanding cash borrowings with respect to this agreement as of June 30, 2021.

DEFEASED DEBT

The University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust (refunding escrow) to provide for all future debt service payments on the refunded bonds until called. The trust account assets and the liability for the defeased bonds are not included in the University's financial statements. As of June 30, 2021, $222.3 million of bonds outstanding are considered defeased. As of June 30, 2020, there were no defeased bonds outstanding.

NOTE 13:

Deferred Outflows and Deferred Inflows of Resources

The composition of deferred outflows and deferred inflows of resources as of June 30, 2021 and 2020 are summarized as follows:

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*

2021	Pensions	OPEB	Split-Interest Agreements	Other	Total
DEFERRED OUTFLOWS OF RESOURCES	$ 446,683	$ 272,332	$ —	$ 23,429	$ 742,444
DEFERRED INFLOWS OF RESOURCES	708,092	426,949	43,096	—	1,178,137
2020	**Pensions**	**OPEB**	**Split-Interest Agreements**	**Other**	**Total**
DEFERRED OUTFLOWS OF RESOURCES	$ 450,491	$ 157,383	$ —	$ 31,494	$ 639,368
DEFERRED INFLOWS OF RESOURCES	321,859	469,116	43,845	—	834,820

NOTE 14:

Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2021 and 2020 are summarized as follows:

OPERATING EXPENSES *(Dollars in thousands)*	2021	2020
INSTRUCTION	$ 1,406,567	$ 1,361,466
RESEARCH	821,588	795,899
PUBLIC SERVICE	87,091	77,326
ACADEMIC SUPPORT	556,249	542,180
STUDENT SERVICES	50,711	55,446
INSTITUTIONAL SUPPORT	260,413	271,842
OPERATION & MAINTENANCE OF PLANT	302,649	280,683
SCHOLARSHIPS & FELLOWSHIPS	192,021	153,869
AUXILIARY ENTERPRISES	517,531	575,692
MEDICAL-RELATED	1,675,145	1,844,739
DEPRECIATION/AMORTIZATION	377,838	388,338
TOTAL OPERATING EXPENSES	**$ 6,247,803**	**$ 6,347,480**

Instruction

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

Research

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

Public Service

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

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

Academic Support

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

Student Services

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

Institutional Support

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

Operation and Maintenance of Plant

The operation and maintenance of plant category includes the administration, operation, maintenance, preservation, and protection of the institution's physical plant.

Scholarships and Fellowships

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

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, UW Medicine Shared Services, Commuter Services and Housing and Food Services departments, among others, 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. The activities of UWMC, UWP, Airlift Northwest and Neighborhood Clinics are included in this category.

Depreciation/Amortization

Depreciation and amortization reflect a periodic expensing of the cost of capitalized assets such as buildings, equipment, software or other intangible assets, spread over their estimated useful lives.

NOTE 15:

Related Parties

Harborview Medical Center (HMC), a hospital and Level I adult and pediatric trauma center located in Seattle, is a component unit of King County, Washington. It has been managed by the University under a management contract between King County and the University since 1967. In February 2016, the University and King County entered into a Hospital Services Agreement. The agreement has an initial ten-year term and may be renewed for two successive ten-year terms with the consent of both parties.

Under the Hospital Services Agreement, King County retains title to all real and personal properties acquired for King County with HMC capital or operating funds. These real and personal properties are recorded on HMC's books and facility revenues for the operation of HMC are deposited in a King County account that is separate from general King County accounts.

The University is responsible for the operations of HMC, including the provision of medical, dental and management services. All of the individuals employed at HMC, including physicians, are employees of the University. HMC expenses, including payroll, are reimbursed to the University from HMC fund sources.

HMC revenues and expenses are not recognized in the University's financial statements. As of June 30, 2021, the University's financial statements included accounts receivable and long-term receivables from HMC of $56.8 million and $25.3 million, respectively, HMC investments of $5.7 million and current accrued liabilities and long-term liabilities of $45.6 million and $24.3 million, respectively, related to HMC. As of June 30, 2020, the University's financial statements included accounts receivable and long-term receivables from HMC of $27.7 million and $8.9 million, respectively, HMC investments of $4.2 million and current accrued liabilities and long-term liabilities of $38.1 million and $24.3 million, respectively, related to HMC

Under an annual agreement, HMC provides strategic funding to Neighborhood Clinics. Funding from HMC to Neighborhood Clinics was $13.3 million and $13.8 million during fiscal years 2021 and 2020, respectively, and is included in other operating revenue in the Statements of Revenues, Expenses and Changes in Net Position.

UW Medicine information technology operates as a self-sustaining activity of the University (ITS department). The ITS department records enterprise-wide information technology capital assets that are purchased for use by UW Medicine entities. The HMC ITS funding reflected in long-term liabilities (see note 10) of $24.3 million at June 30, 2021 and 2020, represents HMC's funding of the enterprise-wide information technology capital assets that will be included in the recharge rates of the ITS department over the useful life of the assets.

The University of Washington Foundation (UWF) is a nonprofit organization that performs fundraising activities on behalf of the University. The UWF is not included in the University's financial statements as a component unit because gifts and grants that are made to the UWF are immediately transferred to the University. In 2021 and 2020, the UWF transferred $171.1 million and $175.9 million, 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 $4.3 million and $4.4 million from the University in support of its operations in fiscal years 2021 and 2020, respectively. These amounts were expensed by the University.

NOTE 16:

Pension Plans

The University offers four contributory pension plans: 1) the Washington State Public Employees' Retirement System (PERS) plan, 2) the Washington State Teachers' Retirement System (TRS) plan, 3) the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plan, and 4) the University of Washington Retirement Plan (UWRP). PERS, TRS, and LEOFF are cost sharing multiple-employer defined-benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). UWRP is a defined-contribution plan with a supplemental noncontributory defined-benefit plan component (the UWSRP) and is administered by the University.

Legislation signed into law on July 1, 2020, amended the RCW applicable to the UWSRP to define plan provisions including limits on member eligibility, benefit payments, vesting terms and contribution rates. As a result of these amendments, the University is unable to modify the terms of the plan. Administration of the benefit calculations and payments remain the responsibility of the University until the state's Pension Funding Council determines the trust has sufficient assets, at which time the DRS will assume those duties in accordance with RCW 41.50.280. The University does not perform the duties of a board or hold any of the substantive powers that would make the plan a fiduciary component unit of the University. Other agencies of the state of Washington perform the duties of a board and hold the substantive powers in relation to the UWSRP.

As of June 30, 2021 and 2020, the University's share of the total unfunded liability associated with the defined-benefit pension plans administered by the DRS was $433.5 million and $416.3 million, respectively. As of June 30, 2021 and 2020, the liability associated with the defined benefit pension plan administered by the University was $126.3 million and $781.8 million, respectively. Assets held by the University to pay retiree benefits in connection with the pension plan administered by the University of $344.8 million, in both years, have been segregated in a separate investment account and are in addition to those now residing with the Washington State Investment Board. For the years ended June 30, 2021 and 2020, total pension expense recorded by the University related to both the DRS and University plans was $6.2 million and $91.3 million, respectively.

PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION

Public Employees' Retirement System

PERS retirement benefit provisions are contained in chapters 41.34 and 41.40 of the Revised Code of Washington (RCW). PERS is a cost-sharing multiple-employer retirement system comprised of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined-benefit plans, and PERS Plan 3 is a defined-benefit plan with a defined-contribution component. PERS members include higher education employees not participating in other higher education retirement programs.

For accounting purposes, PERS is reported as three separate plans. Plan 1 accounts for the defined benefits of Plan 1 members, Plan 2/3 accounts for the defined benefits of Plan 2 and Plan 3 members, and Plan 3 accounts for the defined-contribution portion of Plan 3 members. The defined-benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund, and all assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Plan 2/3 is considered a single plan for accounting purposes.

Teachers' Retirement System

TRS retirement benefit provisions are contained in chapters 41.32 and 41.34 of the RCW. TRS is a cost-sharing, multiple-employer retirement system, comprised of three separate pension plans for membership purposes; TRS Plan 1 and TRS Plan 2 are defined-benefit plans and TRS Plan 3 is a defined-benefit plan with a defined-contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

For accounting purposes, similar to PERS, TRS is reported as three separate plans. Plan 1 accounts for the defined benefits of Plan 1 members, Plan 2/3 accounts for the defined benefits of Plan 2 and Plan 3 members, and Plan 3 accounts for the defined-contribution portion of Plan 3 members. The defined-benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund, and all assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Plan 2/3 is considered a single plan for accounting purposes.

Law Enforcement Officers' and Fire Fighters' Retirement System

LEOFF retirement benefit provisions are contained in chapter 41.26 of the RCW. LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate pension plans for both membership and accounting purposes. The University participates in LEOFF Plan 2, which is a defined-benefit plan. LEOFF membership includes full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

VESTING AND BENEFITS PROVIDED

PERS Plan 1 and TRS Plan 1

PERS Plan 1 and TRS Plan 1 provide retirement, disability and death benefits. Both plans are closed to new entrants. All members were vested after the completion of five years of eligible service. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest-paid consecutive service months. The retirement benefit may not exceed 60% of the AFC.

Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Other benefits for PERS Plan 1 include an optional Cost-of-Living Adjustment. Other benefits for TRS Plan 1 include temporary and permanent disability payments, and an optional Cost-of-Living Adjustment.

PERS Plan 2/3 and TRS Plan 2/3

PERS Plan 2/3 and TRS Plan 2/3 provides retirement, disability and death benefits. PERS Plan 2 and TRS Plan 2 members are vested after completion of five years of eligible service. PERS Plan 3 and TRS Plan 3 members are vested in the defined-benefit portion of their plan after 10 years of service, or after five years of service if 12 months are earned after age 44. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2, and 1% of AFC times the member's years of service for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered early retirement. Members are eligible for early retirement with a reduced benefit at age 55 with at least 20 years of service credit. The benefit is reduced by a factor that varies according to age, for each year before age 65.

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include a Cost-of-Living adjustment (based on the Consumer Price Index) capped at 3% annually.

LEOFF Plan 2

LEOFF Plan 2 provides retirement, disability and death benefits. Members are vested after completing five years of eligible service. Retirement benefits are determined as 2% of the final average salary (FAS) per year of service, based on the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at age 53 with at least five years of service credit. Members who retire prior to age 53 receive reduced benefits. If the member has at least 20 years of service and is age 50 to 52, the reduction is 3% for each year before age 53. Otherwise, the benefits are actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include a Cost-of-Living adjustment (based on the Consumer Price Index) capped at 3% annually.

FIDUCIARY NET POSITION

The pension plans' fiduciary net positions have been determined on the same basis as they are reported by the pension plans. DRS financial statements have been prepared in conformity with generally accepted accounting principles. The retirement plans are accounted for in pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are earned. Employer contributions are recognized when due, and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of each plan.

Chapter 43.33A of the RCW authorizes the Washington State Investment Board (WSIB) to have the investment management responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

DRS publishes an annual report for retirement plans, which is available at https://www.drs.wa.gov/administration/annual-report/.

ACTUARIAL ASSUMPTIONS

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the University. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on the University's financial statements.

The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (OSA). The University's 2021 pension liabilities are based on an OSA valuation performed as of June 30, 2019, with the results rolled forward to the measurement date of June 30, 2020. Likewise, the University's 2020 pension liabilities are based on a valuation performed as of June 30, 2018, with the results rolled forward to the measurement date of June 30, 2019. The following actuarial assumptions have been applied to all prior periods included in the measurement:

INFLATION	2.75% TOTAL ECONOMIC INFLATION, 3.50% SALARY INFLATION
SALARY INCREASE	EXPECTED TO GROW BY PROMOTIONS AND LONGEVITY IN ADDITION TO SALARY INFLATION ASSUMPTION OF 3.50%
INVESTMENT RATE OF RETURN	7.40%

Mortality rates as of June 30, 2019 were based on the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the 2013-2018 Experience Study Report and 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

Mortality rates as of June 30, 2018 were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries' Retirement Plans Experience Committee (RPEC). As recommended by the RPEC, the OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetimes.

The actuarial assumptions used in the June 30, 2018 valuations were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

The long-term expected rates of return on pension plan investments was determined by the WSIB using a building block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.40% as of June 30, 2020 and 2019, approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or damper any short-term changes that are not expected over the entire 50-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for each pension plan, as of the measurement dates, are summarized in the following table:

	2021 *(Measurement Date 2020)*		**2020** *(Measurement Date 2019)*	
Asset Class	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**
FIXED INCOME	20.00%	2.20%	20.00%	2.20%
TANGIBLE ASSETS	7.00%	5.10%	7.00%	5.10%
REAL ESTATE	18.00%	5.80%	18.00%	5.80%
GLOBAL EQUITY	32.00%	6.30%	32.00%	6.30%
PRIVATE EQUITY	23.00%	9.30%	23.00%	9.30%

The inflation component used to create the above table was 2.20% for both years, and represents WSIB's most recent long-term estimate of broad economic inflation.

DISCOUNT RATE

The discount rate used to measure the total pension liabilities as of June 30, 2021 and 2020 was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liability for PERS 1 and TRS 1, respectively). Based on those assumptions, the fiduciary net position for each pension plan was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.40% future investment rate of return on pension plan investments was assumed as of June 30, 2020 and 2019. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liability for PERS 1 and TRS 1, respectively, as provided for in chapter 41.45 of the RCW).

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE

The following table presents the University's proportionate net pension liabilities and assets calculated using the discount rate of 7.40% as of June 30, 2020 and 2019, as well as what the net pension liabilities or assets would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

DISCOUNT RATE SENSITIVITY - NET PENSION LIABILITY (ASSET) *(Dollars in thousands)*

	2021			2020		
Plan	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
PERS 1	$ 361,443	$ 288,564	$ 225,006	$ 387,806	$ 309,671	$ 241,878
PERS 2/3	833,106	133,891	(441,913)	758,531	98,901	(442,369)
TRS 1	8,616	6,800	5,216	7,925	6,200	4,705
TRS 2/3	12,476	4,233	(2,490)	8,104	1,487	(3,893)
LEOFF 2	(90)	(4,535)	(8,175)	(998)	(5,365)	(8,930)

EMPLOYER CONTRIBUTION RATES

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA, and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The following table presents the contribution rates, stated as a percentage of covered payroll as defined by the statute, and required contributions for each DRS plan in which the University participates for the years ended June 30, 2021 and 2020:

(Dollars in Thousands)	PERS 1	PERS 2/3[(a)]	TRS 1	TRS 2/3[(a)]	LEOFF 2
2021					
CONTRIBUTION RATE	12.86 %	12.86 %	15.51 %	15.51 %	8.77 %
CONTRIBUTIONS MADE	$ 65,546	$ 105,944	$ 1,907	$ 2,048	$ 360
2020					
CONTRIBUTION RATE	12.83 %	12.83 %	15.41 %	15.41 %	8.93 %
CONTRIBUTIONS MADE	$ 59,236	$ 96,443	$ 1,483	$ 1,604	$ 435

(a) Plan 2/3 employer rate includes a component to address the Plan 1 unfunded actuarial accrued liability

UNIVERSITY PROPORTIONATE SHARE

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the University as of June 30, 2021 was June 30, 2020. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2020 have been used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in their June 30, 2020 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension liabilities recorded by the University as of June 30, 2020 was June 30, 2019, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2019 used as the basis for determining each employer's proportionate share of the collective pension amounts. The following table presents the University's proportionate share for each DRS plan:

PROPORTIONATE SHARE	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
YEAR ENDED JUNE 30, 2021	8.17 %	10.47 %	0.28 %	0.28 %	0.22 %
YEAR ENDED JUNE 30, 2020	8.05 %	10.18 %	0.25 %	0.25 %	0.23 %

UNIVERSITY AGGREGATED BALANCES

The table below presents the University's aggregated balance of net pension liability and net pension asset as of June 30 2021 and 2020:

(Dollars in Thousands)	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2021						
NET PENSION LIABILITY	$ 288,564	$ 133,891	$ 6,800	$ 4,233	$ —	$ 433,488
NET PENSION ASSET	—	—	—	—	4,535	4,535
2020						
NET PENSION LIABILITY	$ 309,671	$ 98,901	$ 6,200	$ 1,487	$ —	$ 416,259
NET PENSION ASSET	—	—	—	—	5,365	5,365

PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The tables below summarize the University's pension expense, deferred outflows of resources and deferred inflows of resources related to the DRS pension plans, together with the related future year impacts to pension expense from amortization of those deferred amounts. Note that deferred outflows of resources related to University contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year, and are not amortized to pension expense.

PROPORTIONATE SHARE OF PENSION EXPENSE *(Dollars in Thousands)*

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
YEAR ENDED JUNE 30, 2021	$ 19,048	$ 13,614	$ 1,651	$ 1,585	$ (130)	$ 35,768
YEAR ENDED JUNE 30, 2020	7,139	22,617	557	1,183	(217)	31,279

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*

2021	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
CHANGE IN ASSUMPTIONS	$ —	$ 1,907	$ —	$ 546	$ 7	$ 2,460
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	47,931	—	2,675	627	51,233
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	212	—	858	102	1,172
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [a]	65,546	105,944	1,907	2,048	360	175,805
TOTAL	**$ 65,546**	**$ 155,994**	**$ 1,907**	**$ 6,127**	**$ 1,096**	**$ 230,670**
2020						
CHANGE IN ASSUMPTIONS	$ —	$ 2,533	$ —	$ 561	$ 9	$ 3,103
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	28,335	—	1,034	386	29,755
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	—	—	927	—	927
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [b]	59,236	96,443	1,483	1,604	435	159,201
TOTAL	**$ 59,236**	**$ 127,311**	**$ 1,483**	**$ 4,126**	**$ 830**	**$ 192,986**

(a) Recognized as a reduction of the net pension liability as of June 30, 2022
(b) Recognized as a reduction of the net pension liability as of June 30, 2021

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*												
2021		**PERS 1**		**PERS 2/3**		**TRS 1**		**TRS 2/3**		**LEOFF 2**		**TOTAL**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$	1,607	$	6,800	$	44	$	41	$	51	$	8,543
CHANGE IN ASSUMPTIONS		—		91,459		—		464		702		92,625
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE		—		16,780		—		15		80		16,875
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE		—		—		—		—		—		—
TOTAL	**$**	**1,607**	**$**	**115,039**	**$**	**44**	**$**	**520**	**$**	**833**	**$**	**118,043**
2020												
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$	20,689	$	143,960	$	476	$	1,284	$	1,100	$	167,509
CHANGE IN ASSUMPTIONS		—		41,496		—		395		604		42,495
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE		—		21,263		—		48		96		21,407
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE		—		6,957		—		—		87		7,044
TOTAL	**$**	**20,689**	**$**	**213,676**	**$**	**476**	**$**	**1,727**	**$**	**1,887**	**$**	**238,455**

Amounts reported as deferred outflows of resources, exclusive of contributions made after the measurement date, and deferred inflows of resources will be recognized in pension expense as follows:

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in Thousands)*												
YEAR		**PERS 1**		**PERS 2/3**		**TRS 1**		**TRS 2/3**		**LEOFF 2**		**TOTAL**
2022	$	(7,291)	$	(55,795)	$	(192)	$	61	$	(367)	$	(63,584)
2023		(229)		(13,518)		(6)		434		(23)		(13,342)
2024		2,225		2,141		59		581		89		5,095
2025		3,688		11,445		95		702		173		16,103
2026		—		(4,447)		—		448		(9)		(4,008)
THEREAFTER		—		(4,815)		—		1,333		40		(3,442)
TOTAL	**$**	**(1,607)**	**$**	**(64,989)**	**$**	**(44)**	**$**	**3,559**	**$**	**(97)**	**$**	**(63,178)**

(a) Negative amounts shown in the table above represent a reduction of expense

PLANS ADMINISTERED BY UNIVERSITY OF WASHINGTON

University of Washington Retirement Plan

PLAN DESCRIPTION

UWRP, a single-employer 403(b) defined-contribution plan, is administered by the University. Faculty, librarians and professional staff are eligible to participate in the UWRP.

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

The number of participants in the UWRP as of June 30, 2021 and 2020 was 18,871 and 18,298, respectively.

Funding Policy

Employee contribution rates, based on age, are 5%, 7.5% or 10% of salary. The University matches 100% of employee contributions. Within parameters established by the legislature, contribution requirements may be established or amended by the University of Washington Board of Regents. Employer contributions for the years ended June 30, 2021 and 2020 were $137.8 million and $132.1 million, respectively.

University of Washington Supplemental Retirement Plan

PLAN DESCRIPTION

UWSRP, a single-employer 401(a) defined-benefit retirement plan administered by the University, operates in tandem with the 403(b) plan to supplement the expected defined-contribution retirement savings accumulated under the UWRP. For purposes of measuring the June 30, 2021 net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the UWSRP and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported in the state of Washington's Annual Comprehensive Financial Report, which is available at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. The table below shows the number of participants in the UWSRP as of June 30, 2021 and 2020:

NUMBER OF PARTICIPANTS	June 30, 2021	June 30, 2020
ACTIVE EMPLOYEES	5,081	6,132
INACTIVE EMPLOYEES RECEIVING BENEFITS	1,076	853
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	160	188

VESTING AND BENEFITS PROVIDED

UWSRP retirement benefit provisions are contained in RCW 28B.10.400, et. seq. which assigns the authority to establish and amend benefit provisions to the University of Washington Board of Regents. Members are eligible for calculation of a possible retirement benefit under this plan when they have reached age 62 and have 10 years of service with the University. Upon retirement, a calculation is performed which compares "goal income" to "assumed income" to determine if benefits have been earned under the plan.

Goal income is the product of a service factor multiplied by average monthly compensation, and then by eligible years of participation. Average monthly compensation is defined as the average annual basic salary, not to exceed annual limits established by the Internal Revenue Code, paid to a participant for their highest 24 consecutive months of service.

Assumed income must be calculated by an independent actuary, and represents a theoretical amount of monthly income that would have been generated if actual employee and University contributions to the UWRP had been allocated equally between fixed and variable dollar annuities.

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the years ended June 30, 2021 and 2020 were $9.7 million and $8.3 million, respectively.

EMPLOYER CONTRIBUTIONS

State legislation which became effective on July 1, 2020, created an employer contribution rate for the UWSRP. This rate is developed by the OSA in accordance with RCW 41.45, which provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The University's contribution rate for the fiscal year ended June 30, 2021 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in the fiscal year ended June 30, 2021 were $7.1 million. Prior to fiscal year 2021 employer contributions were not required.

PLAN INVESTMENTS

The WSIB has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

UWSRP plan assets are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in footnote 3.B of the state of Washington's Annual Comprehensive Financial Report.

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. For the year ended June 30, 2021, the annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense, was 34.90 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

UWSRP PENSION LIABILITY

The University has set aside assets to pay UWSRP benefits which are not held in a qualified trust as defined by GASB. A qualified trust requires that contributions from employers be irrevocable, dedicated to providing pension benefits to plan members, and are legally protected from creditors of the employer and plan administrator. As a result, these assets are not reflected as a reduction of the Total Pension Liability (TPL).

As of June 30, 2021 and 2020, the University had set aside $344.8 million and $344.8 million, respectively, to pay future UWSRP retiree benefits. These assets are physically segregated in a separate investment account, and included in investments, net of current portion on the Statements of Net Position. These assets are in addition to those amounts now residing with the WSIB, which are reflected as a reduction of the TPL beginning in fiscal year 2021.

Effective July 1, 2020, legislation signed into law created a trust arrangement for assets dedicated to paying UWSRP benefits to plan members. Contributions previously paid to and accumulated by DRS beginning January 1, 2012 were transferred into the trust when this legislation became effective. As a result, the University is now applying accounting guidance for single employer plans that have trusted assets and reports the pension liability net of plan assets as of June 30, 2021.

The components of the UWSRP liability were as follows:

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES (NPL) *(Dollars in Thousands)*

	TPL (a)	PLAN FIDUCIARY NET POSITION (b)	NPL (a) minus (b)
BALANCE AS OF JULY 1, 2020	**$ 781,829**	**$ 60,961**	**$ 720,868**
SERVICE COST	22,877	—	22,877
INTEREST ON TPL	17,677	—	17,677
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(372,651)	—	(372,651)
CHANGE IN ASSUMPTIONS	(223,327)	—	(223,327)
EMPLOYER CONTRIBUTIONS	—	7,105	(7,105)
INVESTMENT INCOME	—	22,275	(22,275)
BENEFIT PAYMENTS	(9,733)	—	(9,733)
NET CHANGES	(565,157)	29,380	(594,537)
BALANCE AS OF JUNE 30, 2021	**$ 216,672**	**$ 90,341**	**$ 126,331**

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY (TPL) *(Dollars in thousands)*

BALANCE AS OF JULY 1, 2019	**$ 594,040**
SERVICE COST	16,698
INTEREST ON TPL	21,232
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	31,426
CHANGE IN ASSUMPTIONS	126,749
BENEFIT PAYMENTS	(8,316)
BALANCE AS OF JUNE 30, 2020	**$ 781,829**

The June 30, 2021 TPL is based on an actuarial valuation performed as of June 30, 2020 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2021. The June 30, 2020 TPL is based on an actuarial valuation performed as of June 30, 2018 with update procedures performed to roll forward the TPL to the measurement date of June 30, 2020. Both valuations were prepared using the entry age actuarial cost method.

UWSRP pension expense for the years ended June 30, 2021 and 2020 was $(29.6) million and $60.0 million, respectively.

ACTUARIAL ASSUMPTIONS

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the University. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant impact on the University's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2021 and the TPL as of June 30, 2020:

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE UWSRP PENSION LIABILITY *(Dollars in thousands)*

	2021	2020
INFLATION	2.75%	2.75%
SALARY CHANGES	4.00%	4.25%
SOURCE OF MORTALITY ASSUMPTIONS	PUB. H-2010 TABLES, WITH THE MP-2017 MORTALITY IMPROVEMENT SCALE	RP-2000 COMBINED HEALTHY TABLE, WITH GENERATIONAL MORTALITY IMPROVEMENTS USING SCALE BB
DATE OF EXPERIENCE STUDY	AUGUST 2021	APRIL 2016
DISCOUNT RATE	7.40%	2.21%
CHANGE IN DISCOUNT RATE SINCE PRIOR MEASUREMENT DATE	5.19%	(1.29)%
SOURCE OF DISCOUNT RATE	2019 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY	BOND BUYER'S 20 BOND INDEX AS OF 6/30/2020
INVESTMENT RATE OF RETURN	7.40%	NA
NPL MEASUREMENT AT DISCOUNT RATE	$126,331	NA
NPL DISCOUNT RATE INCREASED 1%	$106,289	NA
NPL DISCOUNT RATE DECREASED 1%	$149,669	NA
TPL MEASUREMENT AT DISCOUNT RATE	NA	$781,829
TPL DISCOUNT RATE INCREASED 1%	NA	$678,878
TPL DISCOUNT RATE DECREASED 1%	NA	$906,918

Material assumption changes during the measurement period ending June 30, 2021 included updating the discount rate from 2.21% to 7.40%. The source for the discount rate changed from the bond rate required of plans with no assets, to the investment return for plans with assets, due to the change in the plan on July 1, 2020, which led to a change in the appropriate accounting guidance. Material assumption changes during the measurement period ending June 30, 2020 included updating the discount rate from 3.50% to 2.21%, as well as updated investment assumptions. Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income", were significantly higher than expected for the measurement period ending June 30, 2021, but were lower than expected for the period ending June 30, 2020 (reflected as "Difference between expected and actual experience" in the Schedule of Changes in the UWSRP Liability).

The long-term expected rate of return on pension plan investments was determined by the WSIB using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's CMAs. WSIB used the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs, and simulated investment returns provided by the WSIB in their selection of the rate.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
FIXED INCOME	20.00%	2.20%
TANGIBLE ASSETS	7.00%	5.10%
REAL ESTATE	18.00%	5.80%
GLOBAL EQUITY	32.00%	6.30%
PRIVATE EQUITY	23.00%	9.30%

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The tables below summarize the University's deferred outflows and deferred inflows of resources related to the UWSRP, together with the related future year impacts to pension expense from amortization of those deferred amounts:

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in thousands)*		
2021		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	87,128
CHANGE IN ASSUMPTIONS		128,885
TOTAL	**$**	**216,013**
2020		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	104,214
CHANGE IN ASSUMPTIONS		153,291
TOTAL	**$**	**257,505**

DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*		
2021		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	365,021
CHANGE IN ASSUMPTIONS		211,024
NET DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS		14,004
TOTAL	**$**	**590,049**
2020		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	58,518
CHANGE IN ASSUMPTIONS		24,886
TOTAL	**$**	**83,404**

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in thousands)*		
Year		
2022	$	(65,346)
2023		(65,346)
2024		(65,346)
2025		(51,766)
2026		(42,448)
THEREAFTER		(83,784)
TOTAL	**$**	**(374,036)**

(a) Negative amounts shown in the table above represent a reduction of expense

NOTE 17:

Other Post Employment Benefits (OPEB)

PLAN DESCRIPTION

OPEB are benefits provided to retired employees (and their spouses) beyond those provided by their pension plans. These programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine terms and conditions of employee and retired employee participation and coverage. Benefits provided by this single-employer defined-benefit OPEB plan include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. Medical, prescription drug and vision insurance comprise the bulk of the monetary assistance, or subsidies, provided by PEBB OPEB.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in the valuations presented in this footnote assume that this substantive plan will continue into the future.

The HCA has two claim pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. For retirees, participating employers provide two different subsidies: an implicit subsidy and an explicit subsidy.

- The implicit subsidy, set up under RCW 41.05.022, is not a direct payment from the employer on behalf of the retiree. Retirees who are not yet eligible for Medicare benefits may currently continue to participate in the state's non-Medicare community-rated health insurance risk pool. Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums. Therefore, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. This results in an implicit subsidy since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.
- The explicit subsidy, permitted under RCW 41.05.085, is a set dollar amount which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy applicable to each calendar year, with the final amount approved by the state Legislature. The subsidy was $168 per member per month for the first half of fiscal year 2020, and increased in the second half of fiscal year 2020 to $183 per member per month. The amount of the explicit subsidy remained unchanged during fiscal year 2021.

The OPEB plan is currently available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire. PEBB member data used in the valuation of the OPEB liability include members enrolled in a PEBB program as well as other active employees who were eligible to enroll but waived coverage.

The table below shows the University's PEBB membership data as of June 30, 2021 and 2020:

NUMBER OF PARTICIPANTS	**2021** *(Measurement Date: 2020)*	**2020** *(Measurement Date: 2019)*
ACTIVE EMPLOYEES	36,491	33,289
INACTIVE EMPLOYEES RECEIVING BENEFITS	10,039	8,961
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	1,681	1,594

ACTUARIAL ASSUMPTIONS

Accounting requirements dictate the use of assumptions to best estimate the impact that OPEB obligations will have on the University. The professional judgments used by the Washington State Office of the State Actuary (OSA) in determining the assumptions used to value the state of Washington OPEB liability are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant impact on the University's financial statements. The following table shows significant assumptions used to measure the total OPEB liability (TOL) as of June 30, 2021 and 2020:

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*		
	2021	**2020**
INFLATION	2.75%	2.75%
HEALTHCARE COST TREND	INITIAL RATE RANGES FROM 2% - 11% REACHING AN ULTIMATE RATE OF 4.30% IN 2075.	TREND RATE ASSUMPTIONS VARY SLIGHTLY BY MEDICAL PLAN. INITIAL RATE IS APPROXIMATELY 8.00%, REACHING AN ULTIMATE RATE OF APPROXIMATELY 4.50% IN 2080.
SALARY INCREASE	3.50% PLUS SERVICE-BASED SALARY INCREASES	3.50% PLUS SERVICE-BASED SALARY INCREASES
SOURCE OF MORTALITY ASSUMPTIONS	SOCIETY OF ACTUARIES' PUB.H-2010 MORTALITY RATES, WITH APPLICATION OF THE LONG-TERM MP-2017 GENERATIONAL IMPROVEMENT SCALE AND UPDATED BASED ON RESULTS OF THE 2013-2018 DEMOGRAPHIC EXPERIENCE STUDY REPORT AND THE 2019 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY.	RP-2000 COMBINED HEALTHY TABLE AND COMBINED DISABLED TABLE, WITH FUTURE IMPROVEMENTS IN MORTALITY PROJECTED USING 100 PERCENT SCALE BB AND UPDATED BASED ON RESULTS OF THE 2007-2012 EXPERIENCE STUDY REPORT
DATE OF EXPERIENCE STUDY	2013-2018 EXPERIENCE STUDY REPORT	2007-2012 EXPERIENCE STUDY REPORT
DISCOUNT RATE	2.21%	3.50%
SOURCE OF DISCOUNT RATE	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/20 (MEASUREMENT DATE)	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/19 (MEASUREMENT DATE)
POST-RETIREMENT PARTICIPATION PERCENTAGE	65.00%	65.00%
TOL MEASUREMENT AT DISCOUNT RATE	$1,696,027	$1,541,654
TOL DISCOUNT RATE INCREASED 1%	$1,417,706	$1,289,041
TOL DISCOUNT RATE DECREASED 1%	$2,053,470	$1,866,891
TOL MEASUREMENT AT HEALTHCARE COST TREND RATE	$1,696,027	$1,541,654
TOL HEALTHCARE COST TREND RATE INCREASED 1%	$2,116,928	$1,937,224
TOL HEALTHCARE COST TREND RATE DECREASED 1%	$1,382,082	$1,247,735

Material assumption changes during the measurement period ending June 30, 2020 include updating the discount rate, updating the forecasts of healthcare cost trend rate, and the mortality assumptions as required by GASB 75. Material assumption changes during the measurement period ending June 30, 2019 include updating the discount rate, as required by GASB 75.

CHANGES IN THE TOTAL OPEB LIABILITY

The TOL for the state of Washington as of June 30, 2021 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020. The measurement date for the TOL as of June 30, 2021 was the same as the valuation date. The TOL for the state of Washington as of June 30, 2020 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2018, with the results rolled forward to the measurement date of June 30, 2019. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the University. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine the University's proportionate share of the statewide TOL is the relationship of University active, healthcare-eligible employee headcount to the corresponding statewide total.

The University's proportionate share percentage was 28.0% and 26.6% as of June 30, 2021 and 2020, respectively.

The OPEB plan is funded on a pay-as-you-go basis. Accordingly, contributions from employers to the HCA occur only when benefits become due (after retirement). No qualified trust fund has been established dedicated to these benefits and there are no associated assets. As a result, the University reports a proportionate share of the state's total OPEB liability.

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*		
BALANCE AS OF JULY 1, 2019	**$**	**1,354,177**
SERVICE COST		62,422
INTEREST ON TOL		54,148
CHANGE IN ASSUMPTIONS		100,838
BENEFIT PAYMENTS		(24,769)
CHANGE IN PROPORTIONATE SHARE		(5,162)
BALANCE AS OF JUNE 30, 2020		**1,541,654**
SERVICE COST		70,380
INTEREST ON TOL		58,874
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE		(9,022)
CHANGE IN ASSUMPTIONS		38,164
BENEFIT PAYMENTS		(28,031)
CHANGE IN PROPORTIONATE SHARE		83,976
OTHER		(59,968)
BALANCE AS OF JUNE 30, 2021	**$**	**1,696,027**

OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The tables below summarize the University's OPEB expense, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, together with the related future year impacts to OPEB expense from amortization of those deferred amounts. Note that deferred outflows of resources related to University contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability in the following year, and are not amortized to OPEB expense.

PROPORTIONATE SHARE OF OPEB EXPENSE *(Dollars in Thousands)*		
YEAR ENDED JUNE 30, 2021	$	27,089
YEAR ENDED JUNE 30, 2020		62,806

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*		
2021		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	37,208
CHANGE IN ASSUMPTIONS		116,624
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY		29,832
CHANGE IN PROPORTIONATE SHARE		88,668
TOTAL	**$**	**272,332**
2020		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	41,167
CHANGE IN ASSUMPTIONS		89,633
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY		26,583
TOTAL	**$**	**157,383**

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*		
2021		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	8,019
CHANGE IN ASSUMPTIONS		399,994
CHANGE IN PROPORTIONATE SHARE		18,936
TOTAL	**$**	**426,949**
2020		
CHANGE IN ASSUMPTIONS	$	446,992
CHANGE IN PROPORTIONATE SHARE		22,124
TOTAL	**$**	**469,116**

Amounts reported as deferred outflows and deferred inflows of resources will be recognized as a component of the University's OPEB expense as follows:

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in Thousands)*		
YEAR		
2022	$	(42,197)
2023		(42,197)
2024		(42,197)
2025		(42,197)
2026		(42,197)
THEREAFTER		26,536
TOTAL	**$**	**(184,449)**

(a) Negative amounts shown in the table above represent a reduction of expense

NOTE 18:

Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2021 and 2020 were $172.3 million and $173.6 million, respectively. These expenditures will be funded from institutional reserves, debt proceeds and state appropriations.

The University receives and expends substantial amounts under federal and state grants, contracts and programs. This funding is used for research, student aid, Medical Center operations and other programs, and is subject to audit by governmental granting agencies. Certain grant and contract costs billed to the federal government are subject to audit under 2 CFR 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

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 impact 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, foreign liability and certain other risks. The University also purchases insurance protection for loss of property at self-sustaining units, bond-financed buildings and when otherwise required by contract; otherwise, the risk of property loss is retained, unfunded. For medical professional liability, general liability, educator's legal liability including employment practices liability, and automobile liability the University maintains a program of self-insurance reserves and excess insurance coverage through Portage Bay Insurance (PBI), a wholly-owned subsidiary formed to provide the University with alternative risk financing options. PBI is incorporated as a nonprofit corporation in the state of Hawaii, and retains a Certificate of Authority as a pure captive insurance company. The University's self-insurance reserve (see note 10) represents the estimated ultimate cost of settling all self-insured claims resulting from events that have occurred on or before the Statements of Net Position date. The reserve includes the undiscounted amounts that will be required for future payments of claims that have been reported, and claims related to events that have occurred but have not yet been reported.

The self-insurance reserve is estimated using an actuarial calculation. The reserve is included in Long-Term Liabilities in the Statements of Net Position. Changes in the self-insurance reserve for the years ended June 30, 2021 and 2020 are noted below:

(Dollars in thousands)	**2021**	**2020**
RESERVE AT BEGINNING OF FISCAL YEAR	$ 125,081	$ 100,163
INCURRED CLAIMS AND CHANGES IN ESTIMATES	71,805	41,339
CLAIM PAYMENTS	(16,372)	(16,421)
RESERVE AT END OF FISCAL YEAR	**$ 180,514**	**$ 125,081**

REGULATORY COMPLIANCE

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, governmental healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Through its compliance program, UW Medicine strives to maintain an effective and safe program for reporting and addressing potential regulatory concerns. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions known or unasserted at this time.

Between April 4 and April 12, 2018, the Washington State Department of Health, on behalf of CMS, conducted a survey at UW Medical Center. In a letter dated May 15, 2018, CMS informed UW Medical Center that based on the results of the survey, UW Medical Center was not in compliance with certain Medicare Conditions of Participation. The deficiencies identified within the survey relate primarily to UW Medical Center’s relationship with the SCCA inpatient hospital located within the same building as UW Medical Center, including related policies, clinical areas, support services and personnel sharing between the two organizations. UW Medical Center submitted a Plan of Correction (the Plan) in response to the CMS survey findings, and CMS accepted the Plan on January 15, 2020. In September 2021, UW Medical Center was notified by Washington State Department of Health that they are in compliance with the Plan and no additional findings were identified.

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NOTE 19:

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, 2021**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
ASSETS						
TOTAL CURRENT ASSETS	$ 2,705,721	$ (39,038)	$ 2,567,264	$ 177,495	$ 174,649	$ 2,846
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	7,395,996	—	7,239,162	156,834	143,669	13,165
CAPITAL ASSETS, NET	4,975,968	—	4,649,302	326,666	11,221	315,445
TOTAL ASSETS	15,077,685	(39,038)	14,455,728	660,995	329,539	331,456
DEFERRED OUTFLOWS OF RESOURCES	742,444	—	742,444	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 15,820,129**	**$ (39,038)**	**$ 15,198,172**	**$ 660,995**	**$ 329,539**	**$ 331,456**
LIABILITIES						
TOTAL CURRENT LIABILITIES	$ 1,622,846	$ (13,685)	$ 1,543,685	$ 92,846	$ 68,077	$ 24,769
TOTAL NONCURRENT LIABILITIES	5,110,411	(14,056)	4,796,455	328,012	10,375	317,637
TOTAL LIABILITIES	6,733,257	(27,741)	6,340,140	420,858	78,452	342,406
DEFERRED INFLOWS OF RESOURCES	1,178,137	—	1,178,137	—	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,911,394	(27,741)	7,518,277	420,858	78,452	342,406
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,519,360	—	2,514,358	5,002	10,656	(5,654)
RESTRICTED:						
NONEXPENDABLE	1,995,857	—	1,995,857	—	—	—
EXPENDABLE	3,211,485	—	3,211,485	—	—	—
UNRESTRICTED	182,033	(11,297)	(41,805)	235,135	240,431	(5,296)
TOTAL NET POSITION	7,908,735	(11,297)	7,679,895	240,137	251,087	(10,950)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 15,820,129**	**$ (39,038)**	**$ 15,198,172**	**$ 660,995**	**$ 329,539**	**$ 331,456**

(Dollars in thousands) **Statements of Net Position – June 30, 2020**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
ASSETS						
TOTAL CURRENT ASSETS	$ 2,029,866	$ (33,910)	$ 1,914,125	$ 149,651	$ 144,623	$ 5,028
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	6,083,119	—	5,938,400	144,719	111,871	32,848
CAPITAL ASSETS, NET	4,971,660	—	4,622,937	348,723	13,172	335,551
TOTAL ASSETS	13,084,645	(33,910)	12,475,462	643,093	269,666	373,427
DEFERRED OUTFLOWS OF RESOURCES	639,368	—	639,368	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 13,724,013**	**$ (33,910)**	**$ 13,114,830**	**$ 643,093**	**$ 269,666**	**$ 373,427**
LIABILITIES						
TOTAL CURRENT LIABILITIES	1,488,318	(3,083)	1,393,455	97,946	73,449	24,497
TOTAL NONCURRENT LIABILITIES	5,493,819	(14,294)	5,158,144	349,969	10,244	339,725
TOTAL LIABILITIES	6,982,137	(17,377)	6,551,599	447,915	83,693	364,222
DEFERRED INFLOWS OF RESOURCES	834,820	—	834,820	—	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,816,957	(17,377)	7,386,419	447,915	83,693	364,222
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,531,666	—	2,521,560	10,106	12,607	(2,501)
RESTRICTED:						
NONEXPENDABLE	1,882,929	—	1,882,929	—	—	—
EXPENDABLE	2,243,384	—	2,243,384	—	—	—
UNRESTRICTED	(750,923)	(16,533)	(919,462)	185,072	173,366	11,706
TOTAL NET POSITION	5,907,056	(16,533)	5,728,411	195,178	185,973	9,205
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 13,724,013**	**$ (33,910)**	**$ 13,114,830**	**$ 643,093**	**$ 269,666**	**$ 373,427**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2021**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	$ 1,032,697	$ —	$ 1,032,697	$ —	$ —	$ —
PATIENT SERVICES	2,207,768	11,854	1,773,945	421,969	421,969	—
GRANT REVENUE	1,566,805	—	1,566,805	—	—	—
OTHER OPERATING REVENUE	1,034,112	(155,529)	1,101,347	88,294	55,875	32,419
TOTAL OPERATING REVENUES	**5,841,382**	**(143,675)**	**5,474,794**	**510,263**	**477,844**	**32,419**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	5,869,965	(109,816)	5,512,945	466,836	446,145	20,691
DEPRECIATION / AMORTIZATION	377,838	—	355,766	22,072	1,961	20,111
TOTAL OPERATING EXPENSES	**6,247,803**	**(109,816)**	**5,868,711**	**488,908**	**448,106**	**40,802**
OPERATING INCOME (LOSS)	**(406,421)**	**(33,859)**	**(393,917)**	**21,355**	**29,738**	**(8,383)**
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	480,826	—	480,826	—	—	—
GIFTS	214,620	—	214,268	352	352	—
INVESTMENT INCOME	1,341,974	—	1,314,843	27,131	27,131	—
OTHER NONOPERATING REVENUES (EXPENSES)	114,303	40,295	79,387	(5,379)	6,393	(11,772)
NET NONOPERATING REVENUES (EXPENSES)	**2,151,723**	**40,295**	**2,089,324**	**22,104**	**33,876**	**(11,772)**
INCOME BEFORE OTHER REVENUES	**1,745,302**	**6,436**	**1,695,407**	**43,459**	**63,614**	**(20,155)**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	189,360	(1,200)	189,060	1,500	1,500	—
GIFTS TO PERMANENT ENDOWMENTS	67,017	—	67,017	—	—	—
TOTAL OTHER REVENUES	**256,377**	**(1,200)**	**256,077**	**1,500**	**1,500**	**—**
INCREASE IN NET POSITION	**2,001,679**	**5,236**	**1,951,484**	**44,959**	**65,114**	**(20,155)**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	5,907,056	(16,533)	5,728,411	195,178	185,973	9,205
NET POSITION – END OF YEAR	**$ 7,908,735**	**$ (11,297)**	**$ 7,679,895**	**$ 240,137**	**$ 251,087**	**$ (10,950)**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2020**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	$ 1,058,271	$ —	$ 1,058,271	$ —	$ —	$ —
PATIENT SERVICES	2,092,975	(12,619)	1,736,904	368,690	368,690	—
GRANT REVENUE	1,491,623	—	1,491,623	—	—	—
OTHER OPERATING REVENUE	860,180	(112,077)	858,541	113,716	55,001	58,715
TOTAL OPERATING REVENUES	**5,503,049**	**(124,696)**	**5,145,339**	**482,406**	**423,691**	**58,715**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	5,959,142	(82,518)	5,614,841	426,819	409,608	17,211
DEPRECIATION / AMORTIZATION	388,338	—	365,998	22,340	2,177	20,163
TOTAL OPERATING EXPENSES	**6,347,480**	**(82,518)**	**5,980,839**	**449,159**	**411,785**	**37,374**
OPERATING INCOME (LOSS)	**(844,431)**	**(42,178)**	**(835,500)**	**33,247**	**11,906**	**21,341**
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	415,030	—	415,030	—	—	—
GIFTS	219,542	—	218,955	587	587	—
INVESTMENT INCOME	208,987	—	207,921	1,066	1,066	—
OTHER NONOPERATING REVENUES (EXPENSES)	77,863	37,695	46,422	(6,254)	5,750	(12,004)
NET NONOPERATING REVENUES (EXPENSES)	**921,422**	**37,695**	**888,328**	**(4,601)**	**7,403**	**(12,004)**
INCOME BEFORE OTHER REVENUES	**76,991**	**(4,483)**	**52,828**	**28,646**	**19,309**	**9,337**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	202,187	(1,000)	201,937	1,250	1,250	—
GIFTS TO PERMANENT ENDOWMENTS	65,425	—	65,425	—	—	—
TOTAL OTHER REVENUES	**267,612**	**(1,000)**	**267,362**	**1,250**	**1,250**	**—**
INCREASE IN NET POSITION	**344,603**	**(5,483)**	**320,190**	**29,896**	**20,559**	**9,337**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	5,562,453	(11,050)	5,408,221	165,282	165,414	(132)
NET POSITION – END OF YEAR	**$ 5,907,056**	**$ (16,533)**	**$ 5,728,411**	**$ 195,178**	**$ 185,973**	**$ 9,205**

(Dollars in thousands) **Statements of Cash Flows - Year Ended June 30, 2021**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	$ (305,993)	$ —	$ (265,815)	$ (40,178)	$ (37,746)	$ (2,432)
NONCAPITAL FINANCING ACTIVITIES	1,008,617	—	958,226	50,391	50,391	—
CAPITAL AND RELATED FINANCING ACTIVITIES	(339,734)	—	(343,256)	3,522	1,427	2,095
INVESTING ACTIVITIES	(368,674)	—	(364,397)	(4,277)	(4,592)	315
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,784)**	**—**	**(15,242)**	**9,458**	**9,480**	**(22)**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	143,195	—	87,789	55,406	52,780	2,626
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 137,411**	**$ —**	**$ 72,547**	**$ 64,864**	**$ 62,260**	**$ 2,604**

(Dollars in thousands) **Statements of Cash Flows - Year Ended June 30, 2020**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	$ (381,666)	$ —	$ (398,322)	$ 16,656	$ 7,468	$ 9,188
NONCAPITAL FINANCING ACTIVITIES	882,607	—	872,204	10,403	10,403	—
CAPITAL AND RELATED FINANCING ACTIVITIES	(282,358)	—	(272,997)	(9,361)	5,534	(14,895)
INVESTING ACTIVITIES	(160,904)	—	(166,738)	5,834	(175)	6,009
NET INCREASE IN CASH AND CASH EQUIVALENTS	**57,679**	**—**	**34,147**	**23,532**	**23,230**	**302**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	85,516	—	53,642	31,874	29,550	2,324
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 143,195**	**$ —**	**$ 87,789**	**$ 55,406**	**$ 52,780**	**$ 2,626**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

PERS 1- SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.17%	8.05%	8.20%	8.44%	8.46%	8.33%	8.28%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 288,564	$ 309,671	$ 366,403	$ 400,426	$ 454,341	$ 435,853	$ 417,231
UNIVERSITY'S COVERED PAYROLL	$ 1,227,868	$ 1,116,298	$ 1,074,943	$ 1,043,335	$ 987,405	$ 927,002	$ 882,215
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	23.50%	27.74%	34.09%	38.38%	46.01%	47.02%	47.29%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

(Amounts determined as of the measurement date)

PERS 1 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 710	$ 970	$ 1,231	$ 1,582	$ 1,788	$ 2,155	$ 2,058
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 710	$ 971	$ 1,234	$ 1,578	$ 1,769	$ 2,155	$ 2,059
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ (1)	$ (3)	$ 4	$ 19	$ —	$ (1)
UNIVERSITY'S COVERED PAYROLL	$ 1,343,149	$ 1,227,868	$ 1,116,298	$ 1,074,943	$ 1,043,335	$ 987,405	$ 927,002
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.05%	0.08%	0.11%	0.15%	0.17%	0.22%	0.22%

(Amounts determined as of the fiscal year end)

PERS 2/3- SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	10.47%	10.18%	10.24%	10.48%	10.36%	10.20%	10.00%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 133,891	$ 98,901	$ 174,913	$ 364,073	$ 521,777	$ 364,303	$ 202,225
UNIVERSITY'S COVERED PAYROLL	$ 1,220,321	$ 1,106,678	$ 1,062,415	$ 1,027,338	$ 967,955	$ 904,661	$ 856,839
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	10.97%	8.94%	16.46%	35.44%	53.91%	40.27%	23.60%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

(Amounts determined as of the measurement date)

PERS 2/3 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 173,198	$ 156,919	$ 141,681	$ 134,239	$ 114,852	$ 107,424	$ 83,323
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 173,204	$ 157,000	$ 141,618	$ 134,366	$ 114,968	$ 108,413	$ 83,342
CONTRIBUTION DEFICIENCY (EXCESS)	$ (6)	$ (81)	$ 63	$ (127)	$ (116)	$ (989)	$ (19)
UNIVERSITY'S COVERED PAYROLL	$ 1,337,667	$ 1,220,321	$ 1,106,678	$ 1,062,415	$ 1,027,338	$ 967,955	$ 904,661
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	12.95%	12.86%	12.80%	12.64%	11.18%	11.10%	9.21%

(Amounts determined as of the fiscal year end)

Unaudited – see accompanying notes to financial statements

TRS 1- SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.28%	0.25%	0.24%	0.20%	0.16%	0.13%	0.10%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 6,800	$ 6,200	$ 7,061	$ 6,076	$ 5,463	$ 4,049	$ 2,881
UNIVERSITY'S COVERED PAYROLL	$ 20,153	$ 16,677	$ 13,986	$ 10,967	$ 7,813	$ 5,790	$ 3,905
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	33.74%	37.18%	50.49%	55.40%	69.92%	69.93%	73.78%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	70.55%	70.37%	66.52%	65.58%	62.07%	65.70%	68.77%

(Amounts determined as of the measurement date)

TRS 1 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 56	$ 55	$ 52	$ 48	$ 39	$ 38	$ 44
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 56	$ 55	$ 52	$ 48	$ 40	$ 38	$ 42
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ —	$ —	$ (1)	$ —	$ 2
UNIVERSITY'S COVERED PAYROLL	$ 25,479	$ 20,153	$ 16,677	$ 13,986	$ 10,967	$ 7,813	$ 5,790
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.22%	0.27%	0.31%	0.34%	0.36%	0.49%	0.76%

(Amounts determined as of the fiscal year end)

TRS 2/3- SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.28%	0.25%	0.24%	0.19%	0.15%	0.12%	0.08%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 4,233	$ 1,487	$ 1,066	$ 1,796	$ 2,077	$ 969	$ 252
UNIVERSITY'S COVERED PAYROLL	$ 19,800	$ 16,337	$ 13,664	$ 10,669	$ 7,507	$ 5,367	$ 3,391
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	21.38%	9.10%	7.80%	16.83%	27.67%	18.05%	7.43%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	91.72%	96.36%	96.88%	93.14%	88.72%	92.48%	96.81%

(Amounts determined as of the measurement date)

TRS 2/3 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 3,945	$ 3,068	$ 2,511	$ 2,036	$ 1,401	$ 956	$ 558
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 3,943	$ 3,029	$ 2,470	$ 2,029	$ 1,410	$ 985	$ 555
CONTRIBUTION DEFICIENCY (EXCESS)	$ 2	$ 39	$ 42	$ 7	$ (9)	$ (29)	$ 3
UNIVERSITY'S COVERED PAYROLL	$ 25,124	$ 19,800	$ 16,337	$ 13,664	$ 10,669	$ 7,507	$ 5,367
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	15.70%	15.49%	15.37%	14.90%	13.13%	12.73%	10.40%

(Amounts determined as of the fiscal year end)

Unaudited – see accompanying notes to financial statements

LEOFF 2- SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION ASSET	0.22%	0.23%	0.23%	0.22%	0.25%	0.20%	0.21%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET	$ 4,535	$ 5,365	$ 4,590	$ 2,995	$ 1,430	$ 2,083	$ 2,844
UNIVERSITY'S COVERED PAYROLL	$ 5,059	$ 4,882	$ 4,487	$ 4,061	$ 4,474	$ 3,534	$ 3,581
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET AS A PERCENTAGE OF ITS COVERED PAYROLL	89.64%	109.91%	102.30%	73.74%	31.97%	58.94%	79.42%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION ASSET	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

(Amounts determined as of the measurement date)

LEOFF 2 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 367	$ 444	$ 436	$ 400	$ 348	$ 384	$ 303
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 367	$ 446	$ 435	$ 403	$ 352	$ 384	$ 300
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ (2)	$ 1	$ (3)	$ (4)	$ —	$ 3
UNIVERSITY'S COVERED PAYROLL	$ 4,187	$ 5,059	$ 4,882	$ 4,487	$ 4,061	$ 4,474	$ 3,534
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	8.77%	8.78%	8.93%	8.91%	8.57%	8.58%	8.57%

(Amounts determined as of the fiscal year end)

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (UWSRP)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (NPL)

(Dollars in thousands)	2021
TOTAL PENSION LIABILITY - BEGINNING	$ 781,829
SERVICE COST	22,877
INTEREST ON TPL	17,677
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(372,651)
CHANGE IN ASSUMPTIONS	(223,327)
BENEFIT PAYMENTS	(9,733)
NET CHANGE IN TOTAL PENSION LIABILITY	(565,157)
TOTAL PENSION LIABILITY - ENDING (a)	**216,672**
PLAN FIDUCIARY NET POSITION - BEGINNING	**60,961**
EMPLOYER CONTRIBUTIONS	7,105
NET INVESTMENT INCOME	22,275
NET CHANGE IN PLAN FIDUCIARY NET POSITION	29,380
PLAN FIDUCIARY NET POSITION - ENDING (b)	**90,341**
UWSRP NET PENSION LIABILITY (a) minus (b)	**$ 126,331**
PLAN FIDUCIARY NET POSITION AS PERCENTAGE OF THE TOTAL PENSION LIABILITY	41.69 %
UWSRP COVERED PAYROLL	$ 1,733,240
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	7.29 %

Unaudited – see accompanying notes to financial statements

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (UWSRP) SCHEDULE OF UWSRP CONTRIBUTIONS	
(Dollars in thousands)	**2021**
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 6,586
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 7,105
CONTRIBUTION DEFICIENCY (EXCESS)	$ (519)
UWSRP COVERED PAYROLL	$ 1,733,240
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.41 %

(Amounts determined as of the fiscal year end)

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (UWSRP) SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY (TPL)				
(Dollars in thousands)	**2020**	**2019**	**2018**	**2017**
TOTAL PENSION LIABILITY - BEGINNING	$ 594,040	$ 412,481	$ 438,753	$ 512,372
SERVICE COST	16,698	11,823	14,788	19,892
INTEREST ON TPL	21,232	16,277	16,127	15,097
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	31,426	102,713	(33,952)	(74,919)
CHANGE IN ASSUMPTIONS	126,749	58,228	(17,105)	(28,553)
BENEFIT PAYMENTS	(8,316)	(7,482)	(6,130)	(5,136)
TOTAL PENSION LIABILITY - ENDING	**$ 781,829**	**$ 594,040**	**$ 412,481**	**$ 438,753**
UWSRP COVERED-EMPLOYEE PAYROLL	$ 744,634	$ 787,384	$ 759,688	$ 801,161
TOTAL PENSION LIABILITY AS PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	105.00%	75.44%	54.30%	54.76%

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL)				
(Dollars in thousands)	**2021**	**2020**	**2019**	**2018**
TOTAL OPEB LIABILITY - BEGINNING	$ 1,541,654	$ 1,354,177	$ 1,565,213	$ 1,685,909
SERVICE COST	70,380	62,422	84,665	106,112
INTEREST ON TOL	58,874	54,148	58,207	49,703
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(9,022)	—	53,132	—
CHANGE IN ASSUMPTIONS	38,164	100,838	(370,652)	(242,454)
BENEFIT PAYMENTS	(28,031)	(24,769)	(24,584)	(25,330)
CHANGE IN PROPORTIONATE SHARE	83,976	(5,162)	(11,804)	(8,727)
OTHER	(59,968)	—	—	—
TOTAL OPEB LIABILITY - ENDING	**$1,696,027**	**$1,541,654**	**$1,354,177**	**$1,565,213**
OPEB COVERED-EMPLOYEE PAYROLL	$ 2,895,664	$ 2,724,791	$ 2,493,991	$ 2,529,127
TOTAL OPEB LIABILITY AS PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	58.57%	56.58%	54.30%	61.89%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

Plans administered by DRS

The Office of the State Actuary (OSA) calculates the actuarially determined contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined in Chapter 41.45 RCW. Consistent with the state's contribution-rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2017, valuation date, completed in the fall of 2018, determines the ADC for the period beginning July 1,2019, and ending June 30, 2021.

Additional Considerations on ADC for All Plans:

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates could be different pending the actions of the governing bodies.

For cost-sharing plans, OSA calculates the contractually required contributions (CRC) using the same assumptions and methods as the ADC, except the CRC reflect the adopted contribution rates for the time period shown, which might differ from the contribution rates produced for the ADC.

Plans administered by the University

Washington State's House Bill 1661, effective July 1, 2020, created a trust arrangement for the UWSRP and resulted in the transfer of all funds previously contributed by the University into the account dedicated to paying benefits to plan's beneficiaries. This arrangement meets the criteria in GASB code P20, paragraph 101 and resulted in a significant change in the accounting for the plan.

Covered payroll for the fiscal year ending June 30, 2021 is based on the payroll of participants in the University's 403(b) defined contribution UWRP, since the UWSRP required contributions beginning in fiscal year 2021 are based on this payroll. This employee population includes the participants of the UWSRP.

Covered payroll for the fiscal year ending June 30, 2020 and preceding years is based on the payroll of the participants of the UWSRP.

Material assumption changes during the fiscal year 2021 measurement period includes updating the discount rate from 2.21% to 7.40% ("Change in assumption" which decreased the TPL). In addition, CREF investment experience during fiscal year 2021 was significantly higher than expected ("Difference between expected and actual experience" which also decreased the TPL).

In the fiscal year 2020 the UWSRP had no assets accumulated in a trust that meets the criteria in GASB code P20, paragraph 101 to pay related benefits.

Material assumption changes during the fiscal year 2020 measurement period include updating the GASB 73 discount rate from 3.50% to 2.21%, which increased the TPL. Additionally, CREF investment experience during fiscal year 2020 was lower than expected, leading to an increase in the TPL. TIAA investment experience only slightly deviated from OSA's assumption.

OPEB Plan administered by the Healthcare Authority of Washington State

The OPEB Plan has no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

Material assumption changes in fiscal year 2021 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.50% for the June 30, 2019 measurement date, to 2.21% for the June 30, 2020 measurement date. This change resulted in an increase in the TOL.

Material assumption changes in fiscal year 2020 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.87% for the June 30, 2018 measurement date, to 3.50% for the June 30, 2019 measurement date. This change resulted in an increase in the TOL.

This publication was prepared by UW Finance. Published November 2021.

The 2021 UW Financial Report and reports from previous years are available at annualreport.uw.edu

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PHOTOGRAPHY: UW Photo

DESIGN, PRODUCTION, AND PRINT COORDINATION: UW Creative Communications

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UNIVERSITY of WASHINGTON

SUPPLEMENTAL BONDHOLDER INFORMATION

OFFICIAL STATEMENT DISCLOSURES

2021 CONTINUING DISCLOSURE	LOCATION IN BONDHOLDERS REPORT
The audited financial statements of the University for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.	Section 2 (UW Financial Report)
The amount of University revenue and other debt outstanding in that Fiscal Year.	Revenue: Section 2 (UW Financial Report - SRECNP) Debt: Section 3 (Supplemental Bondholder Information), Section 2 (UW Financial Report - Notes 10 - 12)
Student enrollment information for that Fiscal Year, generally of the type provided in the table entitled “Applications, Students and Enrollment” under the heading “Admissions, Student Enrollment and Faculty” and distribution of undergraduate enrollment among University campuses.	Section 3 (Supplemental Bondholder Information)
Course and conference registrations within the Professional and Continuing Education program by Fiscal Year.	Section 2 (UW Financial Report - University Facts)
Information regarding the number of faculty and tenure rate for that Fiscal Year, generally of the type provided in the table entitled “Faculty Data.”	Section 3 (Supplemental Bondholder Information)
Information regarding room and board fees, autumn opening occupancy and occupancy for that Fiscal Year, generally of the type provided in the table entitled “Student Housing and Dining Data.”	Section 3 (Supplemental Bondholder Information)
General Revenues and General Revenue components for that Fiscal Year, generally of the type provided in the table entitled “General Revenues” under the headings General Revenue (Exclusions from Total Revenue) and General Revenue (By Component).	Section 4 (General Revenues)
General Net Position. Illustrative information, if any, regarding effects of certain GASB Statements on General Net Position may be provided in narrative, tabular or other form.	Section 2 (UW Financial Report - MD&A)
Grant and contract revenues for that Fiscal Year, and amount or percentage of grant and contract revenues from federal sources.	Section 2 (UW Financial Report - SRECNP)
Information regarding the amount or percentage of revenues from Medicare or Medicaid payments in that Fiscal Year.	Section 3 (Supplemental Bondholder Information)
Operating expenses by type of expenditure in that Fiscal Year.	Section 2 (UW Financial Report - MD&A)
Expenditures of State capital and operating appropriations to the University for such Fiscal Year, of the type provided in the table entitled “Expenditures of State Appropriations to the University by Type”.	Section 2 (UW Financial Report - SRECNP)
Patient activity statistics for the UW Medicine hospital with revenues included in General Revenues for that Fiscal Year. Other patient activity statistics provided by campus.	Section 3 (Supplemental Bondholder Information)
Financial information for the UW Medicine hospital with revenues included in General Revenues for that Fiscal Year (provided for the hospital as a whole and not by campus). Other financial information provided by campus where available.	Section 3 (Supplemental Bondholder Information)
Value of investments, including operating fund investments and the Consolidated Endowment Fund (“CEF”), for that Fiscal Year.	Section 3 (Supplemental Bondholder Information)
A narrative description of any material changes to the University’s investment policy or CEF distribution policy during that Fiscal Year.	Section 3 (Supplemental Bondholder Information)
Gift revenue for that Fiscal Year.	Section 2 (UW Financial Report - SRECNP)
University revenue by source for that Fiscal Year, generally of the type provided in the figure titled “University Total Revenue by Source, Fiscal Year 2021.”	Section 2 (UW Financial Report - MD&A)
Total University expenditures by category for that Fiscal Year.	Section 2 (UW Financial Report - MD&A and SRECNP)

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2021 CONTINUING DISCLOSURE	LOCATION IN BONDHOLDERS REPORT
University total net assets and unrestricted net assets, of the type presented under the heading "UNIVERSITY OF WASHINGTON—Other University Financial Information—University Net Assets."	Section 2 (UW Financial Report - SNP)
A description of any material changes to the University's obligations with respect to its pension plans, generally of the type presented under the heading "LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION — Pension Plans."	Section 2 (UW Financial Report - Note 16)
A description of any material changes to the University's obligations with respect to other post-employment benefits, generally of the type presented under the heading "LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION—Other Post-Employment Benefits ("OPEB")."	Section 2 (UW Financial Report - Note 17)
Amount of the University's self-insurance reserve, of the type presented under the heading "OTHER UNIVERSITY INFORMATION—Risk Management."	Section 2 (UW Financial Report - Note 18)

APPLICATIONS, STUDENTS & ENROLLMENT

	AUTUMN QUARTER[1]	
	2020 FY21	2021 FY22
UNDERGRADUATE		
Freshmen		
Applied	49,921	55,496
Accepted	29,851	31,664
Percent Accepted to Applied	60%	57%
Enrolled	8,606	8,776
Percent Enrolled to Accepted	29%	28%
Transfers		
Applied	8,349	7,805
Accepted	4,925	4,566
Percent Accepted to Applied	59%	59%
Enrolled	3,169	2,894
Percent Enrolled to Accepted	64%	63%
Total Undergraduate FTE[2]		
Bothell	5,346	5,094
Seattle	31,202	30,912
Tacoma	4,337	4,124
Total All Campuses	40,885	40,130
Totals Undergraduate Headcount		
Bothell	5,664	5,471
Seattle	32,827	32,779
Tacoma	4,578	4,339
Total All Campuses	43,069	42,589
Additional Enrollment Statistics		
Percent of Undergraduates Outside State—Domestic[3]	14%	16%
Percent of Undergraduates Outside State—International[3]	12%	12%
Percent Retention (Freshman to Sophomore)	91%	91%
Mean GPA	3.72	3.76
Median GPA	3.81	3.84
Percent of Class Reporting GPA Data	100%	100%
Mean Combined SAT Scores	1282	1307
Median Combined SAT Scores	1310	1340
Percent of Class Reporting SAT Data	80%	18%[4]
GRADUATE		
Applied	33,413	36,578
Accepted	11,316	11,573
Percent Accepted to Applied	34%	32%
Enrolled	4,990	5,258
Percent Enrolled to Accepted	44%	45%
Graduate FTE	15,830	16,106
Graduate Headcount	15,148	15,358

(1) Unless otherwise noted, all figures include Seattle, Tacoma and Bothell campuses.
(2) Full-time equivalent ("FTE") defined as an undergraduate carrying 12 credit hours or a graduate student carrying 10 credit hours. FTE exceeds headcount enrollment when students take more credit hours than the credit hour threshold equating to one FTE.
(3) Based on headcount.
(4) SAT test requirement was removed for the fall 2021 incoming class due to the lack of available testing sites during the COVID-19 pandemic; in June 2020 the University removed the requirement for incoming students beyond fall 2021.

APPLICATIONS, STUDENTS & ENROLLMENT CONTINUED

	AUTUMN QUARTER[1]	
	2020 FY21	2021 FY22
PROFESSIONAL		
Law		
Applied	2,162	3,054
Accepted	746	781
Enrolled	173	172
Law Headcount	480	476
Pharmacy		
Applied	372	333
Accepted	163	188
Enrolled	108	110
Pharmacy Headcount	419	419
Dentistry		
Applied	488	629
Accepted	109	112
Enrolled	63	63
Dental Headcount	266	267
Medicine		
Applied	7,572	9,579
Accepted	358	351
Enrolled	270	270
Medicine Headcount	1,036	1,008
Total Professional FTE	4,114	4,123
Total Professional Headcount	2,201	2,170
Tuition and Fees (full academic year)[2]		
Undergraduate Resident	$11,659	$12,352
Undergraduate Non-Resident	$39,028	$40,182
Graduate Resident	$17,308	$18,030
Graduate Non-Resident	$30,208	$31,188
Business Masters Resident	$36,640	$37,035
Business Masters Non-Resident	$53,482	$53,877
Law Resident	$38,782	$40,311
Law Non-Resident	$50,185	$51,810
Pharmacy Resident	$33,565	$34,611
Pharmacy Non-Resident	$55,804	$56,856
Medical Resident	$38,926	$40,458
Medical Non-Resident	$69,358	$71,121
Dentistry Resident	$48,220	$48,615
Dentistry Non-Resident	$73,792	$74,187
University FTE[3]		
Undergraduate	40,885	40,130
Graduate	15,830	16,106
Professional	4,114	4,123
Total University FTE	60,829	60,359
University Headcount		
Undergraduate	43,069	42,588
Graduate	15,148	15,358
Professional	2,201	2,170
Total University Headcount	60,418	60,116

(1) Unless otherwise noted, all figures include Seattle, Tacoma and Bothell campuses.
(2) Seattle campus rate, Bothell and Tacoma campuses differ in certain required fees charged to students.
(3) Full-time equivalent ("FTE") defined as an undergraduate carrying 12 credit hours or a graduate student carrying 10 credit hours. FTE exceeds headcount enrollment when students take more credit hours than the credit hour threshold equating to one FTE.

FACULTY & OTHER DATA

	AUTUMN QUARTER		
	2019 FY20	2020 FY21	2021 FY22[2]
FACULTY DATA[1]			
Number of faculty	4,864	5,204	N/A
Tenure rate (%)	43%	48%	N/A
Percent holding terminal degree (Ph.D., MD, DDS)	81%	80%	N/A
HOUSING AND DINING[3]			
Room and Board[4]	$12,554	$13,361	$13,621
Autumn Opening Occupancy[5]	8,491	3,459[6]	9,247[7]
Occupancy[8]	111%	45%[6]	108%[7]

(1) Faculty data based on Integrated Postsecondary Education Data System ("IPEDS") definitions, available at https://nces.ed.gov/ipeds/report-your-data/archived-changes (website not incorporated herein). Year-over-year faculty number changes are primarily attributable to IPEDS definition adjustments and changes to the University's faculty categorization and data updates related to transition to a new human resources planning system, Workday. In all years, headcount associated with temporary faculty categories is excluded.
(2) Final Autumn 2021 faculty data is not yet available.
(3) Figures include residence hall units and exclude single student and family housing apartments. Seattle campus only.
(4) Room and board pricing is for the full academic year. The room portion of annual room and board pricing is the weighted average of all residence hall double rooms in inventory, and the dining portion is for a representative meal plan.
(5) Autumn opening occupancy is used to calculate capacity.
(6) Significant reductions in 2020 occupancy reflect impacts of COVID-19.
(7) Increase in 2021 occupancy reflects the University's return to in-person classes and pre-pandemic level demand for student housing.
(8) Numbers reflect as-built capacity and 10th day occupancy. Occupancy that exceeds 100 percent is the result of housing three students in a room designed for two.

MEDICAL CENTERS[1]

	Year Ending June 30,	
	2020[1][2]	2021[1][2]
UW MEDICAL CENTER, NORTHWEST AND VALLEY FINANCIAL INFORMATION ($000)		
UW Medical Center		
Total Operating Revenue[3]	$ 1,554,822	$ 1,907,029
Operating Margin	(3.4%)	1.3%
Net Income[4]	$ 35,796	$ 150,516
Northwest[5]		
Total Operating Revenue[3]	$ 178,471	N/A
Operating Margin	(21.2%)	N/A
Net Income[4]	$ (33,751)	N/A
Valley		
Total Operating Revenue[3]	$ 707,034	$ 780,789
Operating Margin	(7.6%)	(4.3%)
Net Income[4]	$ 6,714	$ 9,648
Clinical Enterprise		
Total Operating Revenue[3]	$ 2,239,499	$ 2,466,516
Operating Margin	(4.8%)	1.2%
Net Income[4]	$ (6,915)	$ 176,727

	Year Ending June 30,	
UW MEDICAL CENTER, NORTHWEST, VALLEY, AND CLINICAL ENTERPRISE PATIENT STATISTICS	2020[6]	2021[6]
UW Medical Center		
Admissions	22,177[7]	27,370[7]
Outpatient Visits	327,103[7]	400,575[7]
Emergency Visits	40,497[7]	55,781[7]
Northwest		
Admissions	4,821[7][8]	N/A[7]
Outpatient Visits	81,664[7][8]	N/A[7]
Emergency Visits	16,398[7][8]	N/A[7]
Valley		
Admissions	16,924	16,080
Outpatient Visits	627,997	660,865
Emergency Visits	77,344	72,175
Clinical Enterprise		
Admissions	26,998	27,320
Outpatient Visits	776,743	748,051
Emergency Visits	56,895	55,781

MEDICARE/MEDICAID PAYMENTS

Percent of Gross Patient Services Revenue[9]	**53%**	**54%**

(1) Includes net pension and post retirement obligations income/(expense) of $36,209,000 in 2020 and $52,687,000 in 2021 for the entities included in the Clinical Enterprise Financial Statement; these figures include $34,429,000 in 2020 and $41,576,000 in 2021 attributable to UW Medical Center.

(2) Reflects revenue and expenditure impacts of COVID-19, including recognition of federal and state funding.

(3) Total Operating Revenue includes net patient service revenues (net of provision for uncollectible accounts), UW Physician billing revenues (net), and other operating revenue.

(4) Income before capital contributions and other transfers.

(5) As of January 1, 2020, UW Medicine/Northwest (formerly known as Northwest Hospital and referred to as Northwest) was integrated into UW Medical Center. Total Operating Revenue, Operating Margin, and Net Income are provided for UW Medical Center as a whole and is inclusive of activity generated at Northwest. To provide general information related to what is now the Northwest campus of UW Medical Center, Net Patient Revenue is being provided. Net patient revenues attributable to the Northwest campus after January 1, 2020 for FY20 and FY21, respectively, were $130 million and $330 million. Net revenue is post-integration and is included within the UW Medical Center financial results.

(6) Patient volumes beginning in Fiscal Year 2020 reflect the effects of COVID-19 and the related public health measures, most significantly the temporary suspension of elective and non-urgent procedures.

(7) Commencing January 1, 2020, patient activity statistics reported under UW Medical Center include UW Medical Center Montlake and Northwest campuses. Patient statistics attributable to the Northwest campus after January 1, 2020 for FY20 and FY21, respectively, were as follows: Admissions, 3,942 and 8,257; Outpatient Visits, 107,869 and 194,783; Emergency Visits, 13,292 and 28,827.

(8) Represents six months of statistics for the period July 1, 2019 through December 31, 2019.

(9) Reflects Clinical Enterprise gross patient services revenue only. For the years ended June 30, 2020 and 2021, Medicare revenue represented 37 percent; Medicaid revenue represented 16 percent and 17 percent, respectively.

CONSOLIDATED ENDOWMENT AND INVESTED FUNDS

MARKET VALUES AND RETURNS *($ in millions)*

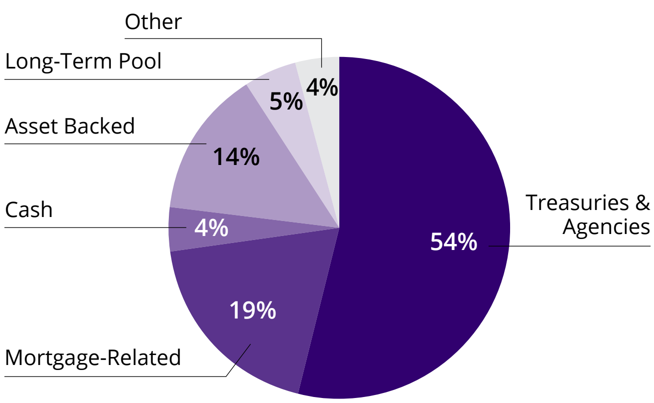
INVESTED FUNDS (IF)	Year Ending June 30,	
	2020	2021
Total Market Value[1]	$2,091	$2,600
Annualized One-Year Return	3.7%	0.6%

CONSOLIDATED ENDOWMENT FUND (CEF)[2]	Year Ending June 30,	
	2020	2021
Total Market Value	$3,560	$4,712
Annualized One-Year Return	1.1%	35.1%

IF PORTFOLIO BREAKDOWN

$2,600

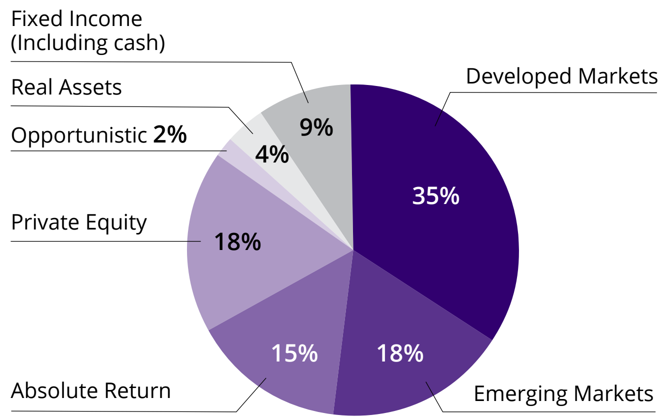
(as of 06/30/2021)



CEF PORTFOLIO BREAKDOWN

$4,712

(as of 06/30/2021)



ENDOWMENT RETURN & SPENDING	Year Ending June 30,	
	2020	2021
Total Annual Return on Endowment	$34	$1,243
Amount of Annual Return Spent	$169	$169
Effective Actual Annual Spending Rate	4.7%	4.7%

CEF SPENDING POLICY

In February 2019, the Board of Regents approved a total spending reduction from five percent to four and one half percent. The spending reduction is being phased in as follows:

	TOTAL SPENDING	PROGRAM DISTRIBUTIONS	ADMINISTRATIVE FEE
Fiscal Year 2020	4.90%	3.92%	0.98%
Fiscal Year 2021	4.70%	3.76%	0.94%
Fiscal Year 2022 & thereafter	4.50%	3.60%	0.90%

(1) Represents Invested Funds (excludes CEF units, Capital Assets Pool [CAP] and balances held in University demand deposit account). Also excludes Supplemental Retirement Plan (SRP) after December 31, 2018.

(2) Includes the Invested Funds Long-term Pool invested in CEF units.

Note: Totals may not sum due to rounding.

UNIVERSITY LIQUIDITY

(UNAUDITED)($000)

	Year Ending June 30, 2020	Year Ending June 30, 2021
Daily Liquidity[1] [2]		
Checking & Deposit Accounts	$ 82,401	$ 61,712
Money Market Funds	120,042	90,881
U.S. Treasuries & Agencies	1,708,085	1,822,589
Total Daily Liquidity	**1,910,529**	**1,975,181**
Other Assets[3]	528,004	686,371
Total Daily & Weekly Liquidity	**$ 2,438,533**	**$ 2,661,552**

(1) Includes approximately $209 million of deferred FICA taxes and Medicare advance payments to be repaid.

(2) Investments that can be liquidated on a same-day basis, if sale executed prior to 10:00 AM Pacific time.

(3) Other Assets includes, but not limited to, other fixed income, plus related derivatives and foreign currencies, that can be liquidated within a week up to approximately 90 days depending on market conditions. This balance ties the remaining balance to the Invested Funds, excluding the longer-term liquidity holdings of the Long-term Pool and Capital Assets Pool.

Note: Totals may not sum due to rounding.

FUTURE DEBT SERVICE

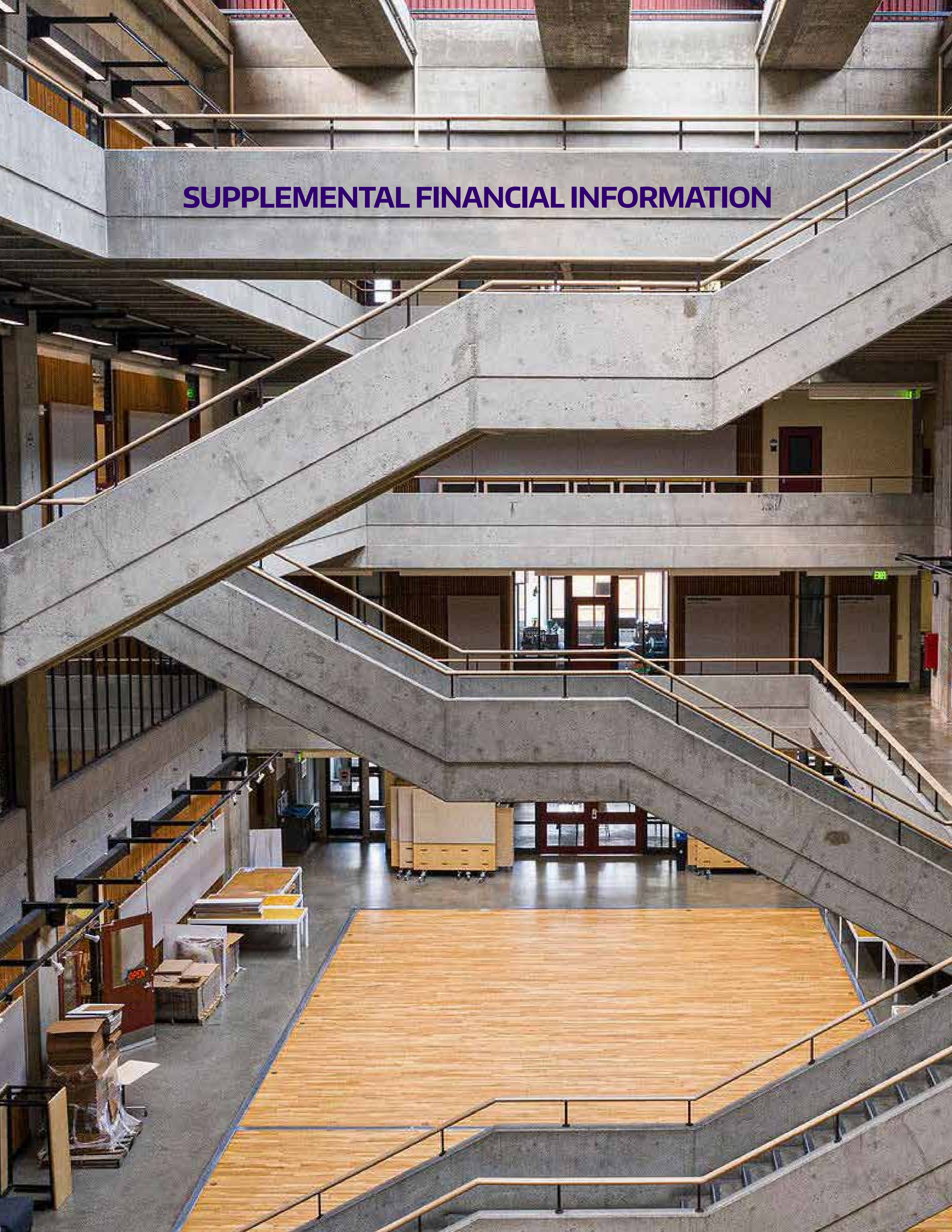
as of June 30, 2021

($000)	FISCAL YEAR					
	2022	2023	2024	2025	2026	2027 – 2051
TOTAL UNIVERSITY DEBT SERVICE						
State General Obligation Bonds	$ 13,588	$ 13,481	$ 13,352	$ 9,907	$ 5,910	$ 9,583
State Certificates of Participation	$ 1,583	$ 289	$ 291	$ –	$ –	$ –
Revenue Bonds						
General Revenue Bonds[1]	$ 132,436	$ 128,820	$ 129,034	$ 141,630	$ 143,357	$ 2,492,907
Lease Revenue Bonds[2]	$ 31,900	$ 31,782	$ 28,221	$ 28,047	$ 26,763	$ 336,487
Subtotal: General Revenue Bonds Debt Service	**$ 179,507**	**$ 174,372**	**$ 170,897**	**$ 179,584**	**$ 176,031**	**$ 2,838,977**
Commercial Paper	$ 46	$ –	$ –	$ –	$ –	$ –
Equipment Leases & Others[3][4]	$ 7,562	$ 6,859	$ 5,312	$ 3,466	$ 3,177	$ 13,710
Total Debt Service All Obligations	**$ 187,115**	**$ 181,231**	**$ 176,209**	**$ 183,050**	**$ 179,208**	**$ 2,852,687**

(1) General Revenue Bonds Series 2009, 2009B, 2010B, 2012C, 2013, 2015ABC&D, 2016A&B, 2018, 2019, 2020AB&C, 2021A&B.
(2) Series 2010B WBRP 3, 2013 WBRP, 2014A WBRP, and 2015A WBRP 3.2.
(3) Includes capital leases other than leases included as Lease Revenue Bonds.
(4) Effective January 1, 2020, Northwest Hospital debt is included in Other.

Note: Totals may not foot due to rounding. For additional outstanding debt information, see Section 2 (UW Financial Report, Notes 10-12).

SUPPLEMENTAL FINANCIAL INFORMATION



UNIVERSITY OF WASHINGTON

Supplementary Information

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report on Supplementary Information

The Board of Regents
University of Washington:

We have audited the financial statements of the business-type activities, the fiduciary activities, and discretely presented component unit of the University of Washington (the University), an agency of the state of Washington, as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon dated October 28, 2021, which contained unmodified opinions on those financial statements that collectively comprise the University's basic financial statements. Our audit was performed for the purpose of forming opinions on the financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 28, 2021.

The supplementary information included on pages 2 through 5 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the Board of Regents and management of the University of Washington and rating agencies and bondholders who have previously received the financial statements of the University of Washington as of and for the years ended June 30, 2021 and 2020, and our unmodified opinions thereon, for use in evaluating those financial statements, and is not intended to be, and should not be used for any other purpose.

KPMG LLP

October 28, 2021

UNIVERSITY OF WASHINGTON

Reconciliation of Total University Revenue to General Revenue

Years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020 – Restated
General revenue:			
Total revenue	$	8,336,575	6,784,822
Less:			
State appropriations		480,826	415,030
Grant and contract direct costs		1,331,027	1,267,351
Gifts		214,620	219,542
Revenues of component units		430,391	513,740
Student activities fees and U-Pass fees		36,393	43,177
Student technology fees, student building fees, and student loan funds		81,574	81,563
Trust and endowment income, net unrealized gains on noninvested funds investments, Metropolitan Tract net operating income, component unit investment income, and other restricted investment income		1,310,009	114,810
Capital appropriations		69,557	23,098
Capital grants, gifts and other		119,803	179,089
Other nonoperating revenues		149,427	118,883
Gifts to permanent endowments		67,017	65,425
Total general revenue	$	4,045,931	3,743,114
General revenue components:			
Student tuition and fees (less student activities fees, U-Pass fees, technology fees, building fees, and loan funds)	$	914,721	941,040
Grant and contract indirect costs		287,747	275,991
Invested funds distribution and net invested funds unrealized gains and losses (note 2)		31,965	94,177
Sales and services of educational departments		463,060	283,169
Patient services		1,770,427	1,582,321
Auxiliary systems		302,293	401,331
Other operating revenues		275,718	165,085
Total general revenue	$	4,045,931	3,743,114

See accompanying notes to supplementary information.

UNIVERSITY OF WASHINGTON

Reconciliation of Total University of Washington Unrestricted Net Position
to General Net Position

June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020 – Restated
Total University unrestricted net position per financial statements	$	182,033	(750,923)
Less:			
Student and activities fees		27,846	26,680
Net position (deficit) of component units:			
Association of University Physicians		236,286	174,013
UW Neighborhood Clinics		4,145	(648)
Northwest Hospital		(131,628)	(131,628)
Real estate entities		8,760	11,706
Total to be excluded, net		145,409	80,123
General net position, including pensions and other post-employment benefits (OPEB)		36,624	(831,046)
Impact of GASB 68 – Pensions		316,325	456,362
Impact of GASB 75 – OPEB		1,850,642	1,853,385
General net position, excluding GASB 68 pensions and OPEB *	$	2,203,591	1,478,701

* There are other non-cash adjustments to Unrestricted Net Position not shown here.

See accompanying notes to supplementary information.

(1) Basis of Presentation

The General Revenue schedule presents the general income of the University of Washington (University) that is not restricted in its use by law, regulation, or contract. General Revenues, as defined in the bond agreements, are revenues pledged to bondholders under the University's General Revenue Bond platform. The supplementary information included herein reconciles total University revenue to General Revenue pledged to bondholders. For example, the following items are restricted and, therefore, excluded from General Revenues:

a. Appropriations to the University by the state of Washington (state) from the state's General Fund;

b. Revenues from gifts or grants restricted by the terms of the gift or grant either in writing or otherwise by the donor;

c. Fees imposed upon students as a condition of enrollment at the University, including but not limited to services and activities fees, building fees, and technology fees; and

d. Revenues and receipts attributable to the Metropolitan Tract Revenue, which are appropriated to the University by the state.

Unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, also are included and available to pay obligations secured by General Revenues. Any interest subsidy received from the federal government with respect to General Revenue Bonds is included and available to pay obligations secured by General Revenues.

On February 8, 2018 the University's Board of Regents approved the dissolution of Northwest Hospital & Medical Center (NWH), a Washington non-profit corporation, and the integration of NWH into the University of Washington Medical Center (UWMC). The integration occurred on January 1, 2020, at which time NWH ceased operations and the University accepted the assets, liabilities, and remaining operations of the corporate entity. At the time of the integration, NWH became the Northwest Campus of UWMC and ceased to be a blended component unit of the University. Revenues subsequent to the date of integration, and their associated impact on unrestricted net position, have been incorporated into General Revenues and General Net Position.

Unrestricted Net Position as of June 30, 2021 and 2020, is below historical levels due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* during fiscal year 2015 and the implementation of GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), during fiscal year 2018. These Statements require the University to record its proportionate share of the state of Washington's actuarially determined liabilities for pensions and OPEB. The University's Unrestricted Net Position, excluding the impacts of GASB Statements No. 68 and 75, is reflected on the Reconciliations of Total University of Washington Unrestricted Net Position to General Net Position.

(Continued)

On July 1, 2020, the University implemented GASB Statement No. 84, *Fiduciary Activities.* This Statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. To reflect the changes resulting from this implementation, the University has added the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position for all years presented, and the University's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position have been restated to conform with the requirements of this Statement and current year presentation. These restatements are similarly reflected in the Reconciliation of Total University Revenue to General Revenue for the year ended June 30, 2020, and the Reconciliation of Total University of Washington Unrestricted Net Position to General Net Position as of June 30, 2020.

(2) Invested Funds Distributions and Net Invested Funds Unrealized Gains and Losses

These amounts represent the net interest, dividends, and realized gains or losses earned on the Invested Funds that are distributed to departments for operations, in addition to or offset by any unrealized gains and losses on the portfolio.

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES

(A Department of University of Washington)

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES
(A Department of University of Washington)

Table of Contents

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Regents
University of Washington:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Washington Housing and Food Services, a department of the University of Washington, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University of Washington Housing and Food Services' basic financial statements as listed in the table of contents.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Washington Housing and Food Services as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

As discussed in note 1, the financial statements present only the University of Washington Housing and Food Services and do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2021 and 2020, the changes in its financial position or its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 11, and the schedules of required supplementary information on pages 49-54, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Seattle, Washington
October 28, 2021

Discussion and Analysis Prepared by Management

The following discussion and analysis provides an overview of the financial position and activities of the University of Washington Housing and Food Services (HFS) as of and for the years ended June 30, 2021, 2020, and 2019. This discussion has been prepared by HFS management and should be read in conjunction with the financial statements and accompanying notes, which follow this section. The financial statements present only the University of Washington Housing and Food Services and do not purport to, and do not, present fairly the financial position of the University of Washington (University), as of June 30, 2021 and 2020, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Overview of the Financial Statements

The financial statements of HFS include the Statements of Net Position; the Statements of Revenue, Expenses, and Changes in Net Position; the Statements of Cash Flows; and Notes to Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for state and local governments.

The Statements of Net Position present the financial condition of HFS and reports assets, deferred outflows of resources, liabilities, and deferred inflows of resources. A summarized comparison of HFS's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position is as follows as of June 30:

Summary Statements of Net Position

		2021	2020	2019
Assets:				
Current assets	$	45,034,840	58,251,844	101,269,553
Noncurrent assets		613,629,797	646,001,923	635,018,836
Total assets		658,664,637	704,253,767	736,288,389
Deferred outflows		2,972,262	5,808,887	4,055,091
Total assets and deferred outflows	$	661,636,899	710,062,654	740,343,480
Liabilities:				
Current liabilities	$	38,373,808	35,742,231	42,860,025
Noncurrent liabilities		669,913,493	696,665,480	698,568,424
Total liabilities		708,287,301	732,407,711	741,428,449
Deferred inflows		9,503,867	10,611,935	10,592,340
Net position:				
Net investment in capital assets		(39,522,849)	(26,831,567)	(41,741,796)
Unrestricted		(16,631,420)	(6,125,425)	30,064,487
Total net position		(56,154,269)	(32,956,992)	(11,677,309)
Total liabilities and net position	$	661,636,899	710,062,654	740,343,480

(Continued)

Current assets consist of cash, accounts receivable, inventory, prepaid expenses, and receivables from other University departments. Current assets were $6.7 million and $22.5 million more than current liabilities at June 30, 2021 and 2020, respectively. Total current assets decreased 22.7%, or $13.2 million, and 42.5%, or $43.0 million, at June 30, 2021 and 2020, respectively, due to decreases in cash resulting from reduced collections of residence hall room rents, conference services, and related food services due to the coronavirus pandemic.

Noncurrent assets consist of land, buildings, building improvements, equipment, construction in process, University of Washington Supplemental Retirement Plan (UWSRP) pension untrusted investment, and amounts due from University Transportation Services. Noncurrent assets decreased 5.0%, or $32.4 million, in 2021 due to the completion of the Oak Hall under the Housing Master Plan and commencement of depreciation, and termination of the parking stall space exchange agreement with the University Transportation Services. Noncurrent assets increased 1.7%, or $11.0 million, in 2020 due to continuing construction under the Housing Master Plan.

Current liabilities consist of accounts payable, accrued interest, accrued expenses, unearned revenue, deposits, amounts due to other University departments, and the current portion of debt payments. Current liabilities increased by 7.4%, or $2.6 million, in 2021, due to increases in unearned revenue and accounts payable, attributable to increasing conference and operating activities, as well as an increase in the short-term portion of long-term capital debt, partially attributable to debt added in the prior year. Current liabilities decreased by 16.6%, or $7.1 million, in 2020, due to a decrease in accounts payable and unearned revenue, both of which were impacted by reduced operating activities as compared to 2019 resulting from the coronavirus pandemic, as well as a decrease in the balance due to other University departments related to construction project billing. The decrease was partially offset by an increase in the short-term portion of long-term capital debt from additional borrowing.

Noncurrent liabilities consist of the long-term portion of capital debt, the pension liability, and the other postemployment benefits (OPEB) liability. Total long-term capital debt as of June 30, 2021 decreased by 3.4%, or $22.5 million, compared to a decrease of 0.4%, or $2.5 million, in 2020. No new debt was issued in fiscal year 2021. Towards the end of fiscal year 2020, new construction financing was obtained, which offset most of the existing debt service payments during the year. The pension liability decreased 38.5% and 8.2%, or $3.6 million and $0.8 million, in 2021 and 2020, respectively. The decreases are primarily due to decreases in HFS's proportionate share of the PERS 1 and PERS 2/3 pension plans, which were favorably impacted by stronger than expected investment returns on pension plan assets during the corresponding measurement periods. The OPEB liability at June 30, 2021 was largely in line with the prior year. The OPEB liability increased 9.8%, or $1.8 million, in 2020, due to a decrease in the discount rate used in measurement calculations.

The change in net position or "equity" measures whether the overall financial condition has improved or deteriorated during the year. Total net position decreased 70.4%, or $23.2 million, and 182.2%, or $21.3 million, in 2021 and 2020, respectively, primarily due to a significant impact on operations resulting from the coronavirus pandemic. The net investment in capital assets decreased 47.3%, or $12.7 million, in fiscal year 2021 primarily due to increased depreciation expense, termination of the parking stall space exchange agreement with the University Transportation Services, and the transfer of ownership of the renovated Denny Field to UW Recreation. This decrease was partially offset by a decrease in capital asset-related debt.

(Continued)

Unrestricted net position includes HFS's share of retirement plan liabilities and assets. The plans disclosed in notes 8 and 9 provided a net deficit of $31.2 million and $32.9 million as of June 30, 2021 and 2020, respectively.

Statements of Revenue, Expenses, and Changes in Net Position

The changes in total net position, as presented on the Statements of Net Position, are detailed in the activity presented in the Statements of Revenue, Expenses, and Changes in Net Position. These statements present HFS's results of operations. In accordance with GASB reporting principles, revenue and expenses are classified as operating, nonoperating, or other.

In general, operating revenue is earned from providing housing, food service, and related services to students and conference guests. Operating revenue is also generated in the form of educational sponsorship and vending commissions. Operating expenses are incurred to provide services and resources, primarily consisting of salaries and benefits, cost of food, building operation expenses, and administrative overhead.

Nonoperating revenue is not generated by goods and services. Under GASB reporting principles, investment income and expenses are classified as nonoperating activities. Also included as nonoperating items are grant awards, insurance proceeds, energy rebates, and interest expense. HFS also recognized net losses on termination of the agreement with the University Transportation Services and on capital asset transfers related to arrangements with other University departments, where ownership of constructed assets was transferred upon project completion.

The following is a condensed view of the Statements of Revenue, Expenses, and Changes in Net Position for the fiscal years ended June 30:

		2021	2020	2019
Operating revenue	$	62,279,960	116,058,355	153,893,439
Operating expenses		(88,319,002)	(113,108,984)	(126,507,181)
Net operating income		(26,039,042)	2,949,371	27,386,258
Net nonoperating revenue (expense)		5,535,125	(24,972,950)	(28,179,969)
Net gain (loss) on capital asset transfers		(3,005,430)	265,743	866,644
Gain from asset funding transfer		—	478,153	—
Other		312,070	—	—
Change in net position		(23,197,277)	(21,279,683)	72,933
Net position, beginning of year		(32,956,992)	(11,677,309)	(11,750,242)
Net position, end of year	$	(56,154,269)	(32,956,992)	(11,677,309)

(Continued)

Revenue from All Sources

The following table summarizes revenue from all sources for the years ended June 30:

		2021	2020	2019
Operating revenue:				
Residence halls and single-student apartment rent	$	42,405,059	67,975,530	86,975,288
Residence halls and retail food services		11,274,418	33,131,839	48,235,300
Conferences and guest rent		1,277,526	5,682,865	8,611,036
Leases		2,583,782	3,232,888	3,073,408
Family housing rent		2,441,782	2,345,709	2,296,881
Forfeitures and miscellaneous fees		949,276	1,112,319	2,034,547
Educational sponsorship		626,560	949,000	949,000
Vending machines		165,574	572,552	673,514
Laundry		298,640	537,054	698,220
Parking Revenue		26,430	50,821	71,909
Other operating revenue		230,913	467,778	274,336
Total operating revenue		62,279,960	116,058,355	153,893,439
Nonoperating revenue:				
Grants		34,600,000	—	—
Energy rebates and refunds		—	—	899,512
Investment income		—	—	788,303
Insurance proceeds		1,852,190	4,118,903	528,159
Net gain on capital asset disposals		—	2,562	—
Net gain on capital asset transfers		—	265,743	866,644
Gain on capital asset funding transfers		—	478,153	—
Other nonoperating revenue		312,070	—	—
Total nonoperating revenue		36,764,260	4,865,361	3,082,618
Total revenue – all sources	$	99,044,220	120,923,716	156,976,057

HFS's largest revenue source is residence hall and single-student room rent and food services, which comprised 54.2% of revenue from all sources in 2021, compared to 83.6% in 2020. During 2021, residence hall and single-student rent decreased by 37.6%, or $25.6 million, food services decreased by 66.0%, or $21.9 million, and conference services decreased by 77.5%, or $4.4 million, over the prior year. The decreases were primarily due to the impact on operations resulting from the coronavirus pandemic, which significantly impacted demand throughout fiscal year 2021, compared to it impacting only 3 months in 2020. During 2020, residence hall and single-student rent decreased by 21.8%, or $19.0 million, food services decreased by 31.3%, or $15.1 million, and conference services decreased by 34.0%, or $2.9 million, over the prior year.

(Continued)

Nonoperating revenue increased $31.9 million in 2021 compared to 2020, primarily due to HEERF grants of $34.6 million received in 2021 (see further discussion in note 2), partially offset by the reduction in insurance claim proceeds due to the completion of Stevens Court exterior renovations (see further discussion in note 1). Nonoperating revenue increased $1.8 million in 2020 compared to 2019, primarily due to insurance claim proceeds of $4.1 million received in 2020 (note 1), partially offset by the reduction in investment income. HFS received no investment income distribution in fiscal year 2021 or 2020.

Expenses and Expense Transfers

The following table summarizes expenses and expense transfers for the years ended June 30:

		2021	2020	2019
Operating expenses:				
Salaries and related benefits	$	20,150,010	33,238,978	35,900,246
Depreciation		32,862,503	30,935,183	30,892,109
Cost of food and merchandise		4,875,526	12,753,186	18,524,378
Noncapitalized equipment		9,571,164	8,177,499	10,729,122
Utilities		6,931,392	8,436,671	9,066,746
Indirect expenses		6,750,735	7,428,931	7,509,205
Contract services		3,001,673	5,638,379	5,988,488
Supplies		1,206,881	2,207,231	3,354,522
Repairs and maintenance		2,371,868	2,902,436	2,769,266
Institutional overhead		42,883	1,039,545	1,489,429
Total operating expenses		87,764,635	112,758,039	126,223,511
Nonoperating expenses:				
Interest expense on capital asset-related debt		27,669,408	29,091,915	28,788,379
Other operating expense		554,367	350,945	283,670
Financing cost		—	2,500	1,601,476
Net loss on capital agreement		3,241,140	—	—
Net loss on capital asset disposals		6,517	—	6,088
Net loss on capital asset transfers		3,005,430	—	—
Total nonoperating expenses		34,476,862	29,445,360	30,679,613
Total expenses and expense transfers	$	122,241,497	142,203,399	156,903,124

Salaries and benefits expense decreased by 39.4%, or $13.1 million, in 2021, and by 7.4%, or $2.7 million, in 2020, respectively, primarily due to staffing reductions related to the impact on operations resulting from the coronavirus pandemic.

Depreciation expense in 2021 increased by 6.2%, or $1.9 million. Depreciation expense in 2020 was largely in line with the prior year. One new building, including furnishings, was placed in service in 2021, but relatively few assets were placed in service in 2020.

(Continued)

Noncapitalized equipment increased by 17.0%, or $1.4 million, in 2021, primarily related to Phase 4b of the Housing Master Plan. In 2020, noncapitalized equipment decreased by 23.8%, or $2.6 million, as fourth quarter projects were put on hold due to the coronavirus pandemic.

Nonoperating expenses increased 17.1%, or $5.0 million, in 2021 due a net loss recognized on termination of the parking stall space exchange agreement with the University Transportation Services, as well as a net loss recognized on the renovation of Denny Field, the ownership of which was transferred to UW Recreation upon project completion. These losses were partially offset by a decrease in the interest expense on capital asset-related debt. In 2020, nonoperating expenses decreased 4.3%, or $1.3 million, due to a reduction in financing cost, partially offset by an increase in interest expense.

Economic Factors and Significant Events

Systemwide Considerations

HFS is a self-sustaining auxiliary enterprise of the University of Washington.

The novel coronavirus (COVID-19) pandemic disrupted HFS operations beginning in March 2020. Many students opted to discontinue on-campus living as classes moved to online delivery methods. As a result, HFS experienced losses of approximately 34.0% and 48.9% of 9-month and 12-month housing revenue in fiscal year 2021, as compared to 2020. Corresponding expenses were reduced to the extent possible, while maintaining new safety standards and delivering appropriate levels of service for the remaining population. Statewide “stay home, stay healthy” orders, which included social distancing and business service suspension and limitations, impacted both retail and residential dining operations. This also forced operational changes, such as take-out only and the cancellation of HFS’s summer conference business.

University course instruction was moved to a full remote operation for the 2020-2021 school year. Social distancing restrictions remained in place for much of this fiscal year, which reduced campus populations significantly. Housing occupancy averaged 44.5% and 50.8% in 9-month and 12-month areas, respectively. Campus dining operations were reduced significantly, including the closure of all but one retail food operation, the Starbucks Mobile Truck.

A change in property zoning classifications in the University District enacted in 2017 has made student-focused housing projects, particularly high-rise projects, financially feasible for competitors. As a result of this up-zoning, a number of high-rise projects are under construction, or are in their initial planning phases. Delays or other impacts from the pandemic are unknown at this time.

Mass transit improvements are ongoing in the greater Seattle area. The Northgate light rail expansion project is underway, which includes the opening of the UW Tower station and light rail access to communities north of campus. This phase opened to passengers in Autumn 2021.

Housing Operation

Overall housing revenue decreased $31.2 million in 2021, compared to a decrease of $22.3 million in 2020. The decreases in both 2021 and 2020 were directly related to the changes in delivery of instruction and reduced operations due to COVID-19. On July 7, 2020, HFS received a grant award of $14.6 million from the Higher Education Emergency Relief Fund I (HEERF I) authorized by the CARES Act (note 2), which helped cover costs that would have been funded by the lost housing revenue. A second grant award totaling $20.0 million was received in June 2021 from the Higher Education Economic Relief Fund II (HEERF II), authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), which helped replace lost revenue due to the pandemic.

Autumn quarter 2021 will open with occupancy at approximately 10,150 students in 9 and 12-month housing areas, which includes 793 additional beds in Haggett Hall and 379 beds in Oak Hall, opening to its first cohort of residents this year. Throughout the system, 111 beds will be reserved for isolation and quarantine housing for HFS residents. Privately managed off-campus facilities coordinated through UW Real Estate are forecasting opening occupancy of 99% of building capacity.

Stevens Court exterior renovations were completed in autumn 2020. These renovations stem from faulty installation of the stucco siding and have been covered by insurance proceeds.

A significant flood was discovered in newly constructed and unoccupied Oak Hall in late June 2021. The remediation of related flood damage will push reconstruction efforts into Autumn quarter 2021 and delay the opening of the ground floor District Market to March 2022. The beds impacted by the reconstruction will be moved to other facilities as overflow spaces (triples); Oak Hall will reopen with its original bed configuration in January 2022. Total damage is estimated to exceed $6.0 million, with most of the cost estimated to be covered by insurance proceeds and warranties still in effect from the General Contractor.

Due to increased demand for on-campus housing, Haggett Hall has been brought out of decommissioned status to house 793 students in the 2020-2021 school year. Approximately $0.9 million has been spent to refurbish interiors and improve building systems. The ultimate demolition of Haggett Hall is still planned but has been postponed until 2024.

Updates to the Housing Master Plan

HFS developed a Housing Master Plan to develop residence halls and single-student apartments in four phases. The development of these residence halls creates a richer on-campus community, alleviating the current excess demand within student housing and providing additional bed capacity (surge space) to support replacement of existing residence halls. This additional capacity allows HFS to replace existing facilities while continuing to meet current housing demand. As of June 30, 2021 and 2020, costs incurred related to the Housing Master Plan totaled approximately $783.1 million and $775.4 million, respectively. These costs were included in construction in process, completed building costs, and furniture and fixtures as of June 30, 2021 and 2020. Total projected cost of the Housing Master Plan was $795.5 million as of June 30, 2021 and 2020. The Board of Regents approved borrowing under the University’s Internal Lending Program (ILP) of up to $760.8 million for Phases 1-4a of the Housing Master Plan as of June 30, 2018, and a cash-funded investment of $65.5 million for Phase 4b of the Housing Master Plan as of June 30, 2019. In June 2020, the Board of Regents approved an additional $19.0 million in borrowing for the completion of Oak Hall, which will offset the cash-funded portion for Phase 4b.

(Continued)

Phase 1, which consisted of four new facilities, was completed in September 2012. Phase 2, which consisted of two new facilities, was completed in January 2014. Phase 3, which also consisted of two new facilities, was completed in July 2015 and opened to students the following autumn quarter. The completion of Phase 3 marked the end of the west campus development phase of the Housing Master Plan. As a result, net bed space has increased by approximately 400. The final phase of the Housing Master Plan focused on north campus redevelopment and has been divided into two parts – Phase 4a and 4b.

Phase 4a consisted of three facilities and opened to students in autumn 2018. Of these three new facilities, one was placed in service in June 2018, and was available for use in the summer conference season. System as-built bed space increased by approximately 1,743 as a result of Phase 4a.

Phase 4b was approved by the Board of Regents in February 2019 and consists of one facility, Oak Hall, and the renovation of Denny Field. The budget for this phase is $65.5 million and will be funded from HFS cash reserves and additional borrowing. Oak Hall will open to students in autumn 2021, increasing system net beds by 379.

Debt service is being paid to the ILP for all Phase 1, 2, 3, and 4a buildings. ILP loans for all Housing Master Plan phases are now closed, as debt service on Phase 4a began in September 2018. The debt service coverage ratio was 0.30 and 0.85 as of June 30, 2021 and 2020, respectively. In June 2020, the Board of Regents approved a one-year suspension of the ILP covenants (debt service coverage and required reserves) due to financial hardship resulting from COVID-19. In June 2021, the Board of Regents extended this suspension through the 2021-2022 fiscal year.

Residence Hall Dining Operation

Residential Dining units resumed operation in Autumn 2021 to support student residents and on-campus populations. Due to staffing constraints, Cultivate, a fast casual concept, will open at a to-be-determined time later in the year.

Due to reduced campus populations and housing occupancy during the 2020-21 academic year, Cultivate, Husky Grind – Mercer, and the newly constructed venues in Oak Hall, Denny Café and District Market – Oak, were closed throughout 2020-21. Operating expenses, including staffing, were reduced accordingly. Overall residential dining sales decreased $10.3 million in 2021, compared to a decrease of $10.0 million in 2020.

In relation to the COVID-19 pandemic, food service and operational models have been augmented to enhance safety protocols. Staff-served or prepackaged options replaced self-serve areas such as salad bars. Food will be served in to-go style containers, and in-house seating has been significantly reduced. UW Dining may augment services and offerings based on local, state, and University health guidance, as well as campus demand.

UW Dining contracted with their current point-of-sale vendor to bring mobile ordering to campus, introducing the service to students in winter 2021. The service will be rolled out to additional dining venues across campus in the coming year. Bay Laurel Catering provided the Get-Well meal program – a door-to-door food delivery program for students residing in isolation housing.

Retail Dining Operation

UW Dining opened their retail dining venues across campus in Autumn 2021, including a fourth Starbucks Licensed Store in the new Population Health building and the new District Market – Oak (opening March 2022). Per the Starbucks sponsorship agreement, the University is obligated to open a fifth location by 2023. At this point in time, HFS has not been identified as the operator of the fifth venue.

Three retail dining venues closed in fiscal year 2021 – Reboot Café (due to remodel), Supreme Cup Café (due to negative impact of Starbucks Mobile Truck), and Etc. @ Health Sciences (due to poor performance).

UW Dining brought a new sushi vendor to campus in autumn 2021 to prepare product in District Market - Alder and the Husky Den Food Court. Wholesale production will also occur out of these sites and be used to supply retail sales across campus.

During 2020-21, as a result of changes in campus population levels and instruction delivery methods related to the coronavirus pandemic, many retail dining venues suspended operations and, where possible, staff were transferred to open positions at other University departments. Cafés with loss protection terms in their operating agreements with other University departments provided some relief of losses. These agreements were renegotiated for 2021 with many departments opting to suspend their retail operations and cease financial coverage of losses. Overall, retail dining sales decreased $12.0 million in 2021 and $5.5 million in 2021 and 2020, respectively.

HFS received Starbucks and Coca-Cola educational sponsorship funds totaling $0.6 million and $0.9 million in 2021 and 2020, respectively. The 2021 decrease is the result of sponsorship agreement terms and the ongoing sales disruptions from the coronavirus pandemic.

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES
(A Department of University of Washington)

Statements of Net Position

June 30, 2021 and 2020

Assets and Deferred Outflow of Resources		2021	2020
Current assets:			
Cash and cash equivalents in the University Invested Funds Pool	$	40,439,928	50,530,863
Accounts receivable, net		1,300,137	1,115,734
Prepaid expense		568,286	563,100
Inventory		330,917	504,024
Due from other University departments		2,395,572	5,538,123
Total current assets		45,034,840	58,251,844
Noncurrent assets:			
Due from other University departments		—	3,241,140
Capital assets, less accumulated depreciation (note 3)		612,189,707	640,995,683
Other assets (note 8)		1,440,090	1,765,100
Total noncurrent assets		613,629,797	646,001,923
Deferred outflows of resources (note 7)		2,972,262	5,808,887
Total assets and deferred outflows of resources	$	661,636,899	710,062,654
Liabilities, Deferred Inflow of Resources, and Net Position			
Current liabilities:			
Accounts payable	$	525,614	237,809
Accrued interest		2,327,403	2,382,064
Other accrued expenses		2,254,126	2,175,835
Unearned revenue		4,813,305	3,443,657
Deposits		4,799,211	4,846,670
Due to other University departments		749,022	923,810
Long-term capital debt, current portion (notes 4 and 5)		22,445,127	21,297,386
Lease payable, current portion (notes 4 and 6)		460,000	435,000
Total current liabilities		38,373,808	35,742,231
Noncurrent liabilities:			
Long-term capital debt, less current portion (notes 4 and 5)		643,811,517	666,323,123
Pension liability (note 8)		5,812,424	9,444,916
Total other postemployment benefits (OPEB) liability (note 9)		20,289,552	20,437,441
Lease payable, less current portion (notes 4 and 6)		—	460,000
Total noncurrent liabilities		669,913,493	696,665,480
Total liabilities		708,287,301	732,407,711
Deferred inflows of resources (note 7)		9,503,867	10,611,935
Net position:			
Net investment in capital assets		(39,522,849)	(26,831,567)
Unrestricted		(16,631,420)	(6,125,425)
Total net position		(56,154,269)	(32,956,992)
Total liabilities, deferred inflows of resources, and net position	$	661,636,899	710,062,654

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES
(A Department of University of Washington)

Statements of Revenue, Expenses, and Changes in Net Position

June 30, 2021 and 2020

	2021	2020
Operating revenue:		
Residence halls and single-student apartment rent	$ 42,405,059	67,975,530
Residence halls and retail food services	11,274,418	33,131,839
Conferences and guest rent	1,277,526	5,682,865
Leases	2,583,782	3,232,888
Family housing rent	2,441,782	2,345,709
Forfeitures and miscellaneous fees	949,276	1,112,319
Educational sponsorship	626,560	949,000
Vending machines	165,574	572,552
Laundry	298,640	537,054
Parking revenue	26,430	50,821
Other	230,913	467,778
Total operating revenue	62,279,960	116,058,355
Operating expenses:		
Salaries and related benefits	20,150,010	33,238,978
Depreciation	32,862,503	30,935,183
Cost of food and merchandise	4,875,526	12,753,186
Noncapitalized equipment	9,571,164	8,177,499
Utilities	6,931,392	8,436,671
Indirect expenses	6,750,735	7,428,931
Contract services	3,001,673	5,638,379
Supplies	1,206,881	2,207,231
Repairs and maintenance	2,371,868	2,902,436
Institutional overhead	42,883	1,039,545
Other	554,367	350,945
Total operating expenses	88,319,002	113,108,984
Net operating income (loss)	(26,039,042)	2,949,371
Nonoperating revenue (expenses):		
Grants (note 2)	34,600,000	—
Investment income	—	—
Loss on capital agreement	(3,241,140)	—
Insurance claim proceeds	1,852,190	4,118,903
Interest expense on capital asset-related debt	(27,669,408)	(29,091,915)
Financing costs	—	(2,500)
Gain (loss) on capital asset disposals	(6,517)	2,562
Total nonoperating revenue (expenses)	5,535,125	(24,972,950)
Net gain (loss) on capital asset transfers	(3,005,430)	265,743
Gain (loss) on capital asset funding transfers	—	478,153
Other	312,070	—
Change in net position	(23,197,277)	(21,279,683)
Net position, beginning of year	(32,956,992)	(11,677,309)
Net position, end of year	$ (56,154,269)	(32,956,992)

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES

(A Department of University of Washington)

Statements of Cash Flows

June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Cash received from student housing fees	$	42,374,954	67,156,726
Cash received from residence hall food services		12,299,985	32,635,202
Cash received from conference services		2,749,423	3,911,702
Cash received from leases		3,232,888	3,073,408
Cash received from facility rentals		1,267,507	1,561,622
Cash received from vending commissions		189,839	627,784
Cash received from educational sponsorship		626,560	949,000
Cash received from others		226,439	468,298
Cash received (paid) for interfund and debit card activities		69,670	(279,539)
Cash paid to suppliers		(28,125,199)	(42,271,321)
Cash paid for employee salaries, wages, and benefits		(19,733,853)	(31,764,110)
Cash paid for indirect expenses		(6,937,996)	(8,934,686)
Net cash provided by operating activities		8,240,217	27,134,086
Cash flows from noncapital financing activities:			
Grants received		34,600,000	—
Net cash flows provided by noncapital financing activities		34,600,000	—
Cash flows from capital and related financing activities:			
Purchases of capital assets		(5,012,381)	(45,381,277)
Proceeds from issuance of capital debt		—	19,000,000
Interest paid on capital debt		(28,379,167)	(30,372,779)
Principal payments on capital debt		(21,730,718)	(18,943,413)
Financing cost paid on capital debt		(2,500)	—
Capital asset funding transfers		29,354	448,799
Proceeds from insurance on capital assets		1,852,190	4,118,903
Other		312,070	—
Net cash used in capital and related financing activities		(52,931,152)	(71,129,767)
Net decrease in cash and cash equivalents		(10,090,935)	(43,995,681)
Cash and cash equivalents, beginning of year		50,530,863	94,526,544
Cash and cash equivalents, end of year	$	40,439,928	50,530,863
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Net operating income (loss)	$	(26,039,042)	2,949,371
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		32,862,503	30,935,183
Changes in operating assets and liabilities:			
Accounts receivable		(184,403)	1,279,161
Prepaid expense and other assets		(5,186)	(93,067)
Inventory		173,107	253,194
Due to/from other University departments		1,471,767	(1,517,472)
Accounts payable		287,805	(1,574,825)
Unearned revenue		1,369,648	(3,564,869)
Accrued expenses		78,291	(603,623)
Deposits		(47,459)	(114,690)
Retirement plan deferred resources and liabilities		(1,726,814)	(814,277)
Net cash provided by operating activities	$	8,240,217	27,134,086
Supplemental disclosures of cash flow information:			
Capitalized interest	$	586,802	1,010,965
Amortization of deferred premium on refunded bonds		66,480	66,480
Net gain (loss) on capital asset transfers		(3,005,430)	265,743

See accompanying notes to financial statements.

(1) Organization and Significant Accounting Policies

(a) Organization

The University of Washington Housing and Food Services (HFS) operates self-sustaining food services, residence halls, and apartment complexes both on and off the University of Washington (the University) campus. The operations of HFS as an auxiliary enterprise support the University's mission by providing safe, convenient, and affordable housing, as well as programs that promote personal and academic development. In addition, HFS provides conference facilities and catering services to a variety of organizations. The University provides some administrative services to HFS.

(b) Basis of Accounting

The financial statements have been prepared in accordance with generally accepted accounting principles. The statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. All internal activities have been eliminated. The financial statements present only the University of Washington Housing and Food Services and do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2021 and 2020, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

(c) Cash and Cash Equivalents in the University Invested Funds Pool Investments

Pooled Investments held on behalf of HFS by the University are recorded at HFS's share of the carrying value of the University Cash and Liquidity Pools, which totaled $40,439,928 and $50,530,863 as of June 30, 2021 and 2020, respectively. These funds are available on demand without prior notice or penalty. The Cash and Liquidity Pools were invested as follows as of June 30:

	2021	2020
Cash and cash equivalents	4.9 %	5.7 %
U.S. Treasury and agency securities	68.6	75.8
Mortgage-related securities	6.2	7.1
Asset-backed debt securities	14.5	7.9
Other fixed income	5.8	3.5
	100.0 %	100.0 %

Financial instruments that subject HFS to concentrations of credit risk consist of pooled investments held on behalf of HFS at the University.

(d) Accounts Receivable

HFS has established an allowance for doubtful accounts related to receivables, which are estimated to be uncollectible. The allowance is based on historical experience of HFS and current economic circumstances with respect to the collectibility of accounts receivable. Student accounts are considered past due if they are unpaid for 30 days after the due date. Other customer accounts are considered past due if they are unpaid for 60 days after the due date. The balance of the allowance account was $439,635 and $91,953 as of June 30, 2021 and 2020, respectively.

(e) Inventory

Inventory, consisting primarily of food, is stated at the lower of cost (first-in, first-out method) or market.

(f) Prepaid Expense

Prepaid expense consists primarily of building insurance, which is typically amortized over one year.

(g) Due from Other University Departments

Due from other University departments, current, consists primarily of accrued lease revenue (note 6) of $2,583,782 and $3,232,888 as of June 30, 2021 and 2020, respectively.

Due from other University departments, noncurrent, relates to an agreement with University Transportation Services, where HFS has constructed surplus parking stalls in anticipation of planned parking stall demolition. This obligation represented a surplus of parking stalls, which were expected to be offset with the future demolition of parking stalls at Haggett Hall. In 2021, most of the surplus parking stalls were decommissioned, and the agreement with University Transportation Services was terminated, with the amount due from Transportation Services eliminated. The amount due from Transportation Services was $0 and $3,241,140 as of June 30, 2021 and 2020, respectively.

(h) Capital Assets

Buildings, building improvements, and equipment are stated at cost. Additions, replacements, major repairs, and renovations are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, and 4 to 13 years for equipment. Expenditures for noncapitalized equipment and repairs that represent normal replacement of such equipment and routine maintenance of the buildings are expensed as incurred, as are furniture, fixtures, or equipment for newly constructed buildings that individually do not meet the criteria described below. Building and improvements are capitalized if they result in additional asset services (e.g., expanded facilities), result in more valuable asset services (e.g., upgraded facilities), or extend normal service life. Expenditures are not capitalized if they are incurred to maintain assets in good operating condition, and/or do not meet the criteria for capitalization stated above. Equipment with a cost of $5,000 and above is generally capitalized if it benefits more than one operating cycle.

(Continued)

Interest expense is capitalized during the time a project is under construction. Capitalization begins upon the issuance of debt to finance the construction of a capital asset. Capitalized construction-related interest was $586,802 and $1,010,965 during the years ended June 30, 2021 and 2020, respectively.

(i) Unearned Revenue

Unearned revenue consists of prepaid food sales, room rent, and conference revenue.

(j) Deposits

Deposits consist of a required $500 per student housing damage deposit that is refundable when the student vacates (presuming no damage resulted during the student's tenure in the housing unit).

(k) Net Position

Net position consists of the following components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the net outstanding debt balances related to capital assets, net of unamortized debt expenses. The negative balance as of June 30, 2021 and 2020 is due to the inclusion of existing debt on the old Mercer, Lander, Terry, and McCarty Halls, all of which were demolished, while additional debt was incurred for the demolition and redevelopment.

Unrestricted – Consists of assets and liabilities that do not meet the definition of "net investment in capital assets." This is all other funds available to HFS for any purpose associated with its mission. Unrestricted net position is not subject to externally imposed stipulations, but often is internally designated for specific purposes.

(l) Operating and Nonoperating Revenue and Expenses

In general, operating revenue is earned from providing housing, food service, and related services primarily to students and conference guests. The majority of operating revenue consists of room and board services to students. Revenue is recognized as the food service is provided, the appropriate housing period occurs, or the conference takes place. Operating expenses are those expenses incurred to provide services and resources, primarily consisting of salaries and benefits, cost of food, building operation expenses, and administrative overhead.

Nonoperating revenue is recognized for receipts of grant awards, insurance claim proceeds, gain on capital asset disposals, and other revenue sources that are not associated with HFS's primary operations. Nonoperating expense includes interest expense, financing costs, losses on asset disposals and transfers, and loss on termination of the parking stall exchange agreement with University Transportation Services.

(m) Institutional Overhead

The University allocates certain general and administrative charges to those departments for which services are performed. This institutional overhead charge, which is based on a percentage of division revenue, totaled $42,883 and $1,039,545 for the years ended June 30, 2021 and 2020, respectively.

(n) Indirect Expenses

Administrative expenses, such as overhead salaries and benefits, contract services, and supplies, are reported as indirect expense. These administrative costs totaled $6,750,735 and $7,428,931 for the years ended June 30, 2021 and 2020, respectively.

(o) Insurance Claim Proceeds

Insurance claim proceeds are recognized when realized or realizable, generally upon cash receipt.

HFS received insurance payments totaling $1,852,190 and $4,118,903 during fiscal year 2021 and 2020, respectively, for a loss incurred at the Stevens Court complex.

The Stevens Court loss was caused by faulty installation of the exterior siding, which allowed water to infiltrate the stucco siding over multiple years. The damage was identified during routine renovations. The insurance proceeds offset the cost of replacing the siding at all four affected buildings in the Stevens Court complex. Repairs on the first building began in May 2018 and were completed in October 2018. Repairs on the second building began in May 2019 and were completed in October 2019. Repairs on the remaining two buildings began in May 2020 and were completed in October 2020.

(p) Gains and Losses on Capital Asset Transfers

In 2021, HFS recognized a loss of $3,005,430 on the transfer of the renovated Denny Field. Under phase 4b of the Housing Master Plan, HFS contributed funding toward the renovation of Denny Field. Upon project completion, ownership of the asset was transferred to UW Recreation in 2021.

In 2020, HFS received a capital asset transfer valued at $265,743 from a collaboration with the College of Engineering and the College of Arts & Sciences' Center for Digital Arts and Experimental Media (DXARTS). The colleges contributed funding toward the construction of the new McMahon 8 Community Center. Ownership of the completed assets was transferred to HFS in 2020.

(q) Gain on Asset Funding Transfers

In 2021, HFS received no asset funding transfers from other University departments.

In 2020, HFS received funding from other University departments to purchase equipment that HFS would own and operate. HFS received $405,000 from University Marketing & Communications to help fund the purchase and installation of a new Starbucks mobile truck, which served as the third licensed store under the University's sponsorship agreement. Additional funds were received from other University departments in retail café partnerships with HFS to cover a portion of planned equipment replacement costs.

(Continued)

(r) Income Taxes

As a part of the University, the operations of HFS are exempt from federal income taxes, except to the extent of unrelated business income. HFS did not incur unrelated business income tax during 2021 or 2020, and accordingly, the financial statements do not include a provision for federal income taxes.

(s) Use of Estimates

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

(t) Change in Accounting Estimate

On July 1, 2020, the state of Washington established a trust for contributions paid by the University for the benefit of the University of Washington Supplemental Retirement Plan (UWSRP) in accordance with Revised Code of Washington (RCW) 41.50.075. As a result, the guidance governing the accounting for the UWSRP has changed from GASB codification section P22 *“Pension Activities – Reporting for Benefits Not Provided through Trusts That Meet Specific Criteria”* to GASB codification section P20 *“Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specific Criteria.”*

This event gives rise to a change in the HFS’s estimates of future obligations, deferrals, and pension expense related to the UWSRP. Specifically, $312 thousand of contributions paid by the HFS in prior years and recognized as benefits expense have been reported as Other nonoperating revenue on the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2021. In addition, the HFS will now report the plan’s net pension liability (total pension liability less the plan’s fiduciary net position), related deferrals, and pension expense in accordance with GASB codification section P20. Prior to this change in estimate, HFS reported the plan’s total pension liability.

(u) Other Pension and Post-Employment Policies

Cost-Sharing Pension Plans. The net pension asset or liability is measured as HFS's proportionate share of the University's collective total pension liability, less the fiduciary net position, of the cost-sharing pension plans in which HFS participates. The total pension liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits. HFS's proportionate share is determined based on the relationship of HFS contributions to total contributions to the plan by all participating employers. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years. Contributions made to the plan subsequent to the measurement date and prior to HFS's fiscal year-end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the net pension asset or liability is June 30 of the prior fiscal year.

Single Employer Pension Plan (UW Supplemental Retirement Plan). The total pension liability is measured at HFS's proportionate share of the total liability, which is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used for the total pension liability as of June 30, 2021, reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. The discount rate used for the total pension liability as of June 30, 2020, is the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average credit rating of AA/Aa or higher. The UWSRP liability as of June 30, 2021, represents the HFS's proportionate share of the total pension liability less the plan's fiduciary net position. The UWSRP liability as of June 30, 2020, represents the HFS's proportionate share of the total pension liability. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years (fiscal year 2021 only). The measurement date for the UWSRP liability is the same as the Statements of Net Position date.

Other Post-Employment Benefits (OPEB). The total OPEB liability is measured as HFS's proportionate share of the University's total OPEB liability, with the proportionate share determined based on the relationship of HFS's healthcare-eligible headcount to the total healthcare-eligible headcount for the University. The total OPEB liability is determined by discounting projected benefit subsidies for current employees and retirees based on the discount rate required by GASB Statement No. 75 for OPEB plans that do not have assets residing in a qualified trust. OPEB expense is recognized for subsidies earned during the period, interest on the total OPEB liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for healthcare-eligible employees. Contributions made to the plan subsequent to the measurement date and prior to HFS's fiscal year-end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the total OPEB liability is June 30 of the prior fiscal year.

(2) COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) to be a pandemic. The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on societal and economic conditions at a local, national, and global level and has had a significant impact on HFS's operations. The Federal Government and the state of Washington have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, and limitations on public gatherings. In February 2020, the Governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address COVID-19. In March 2020, the University announced that instruction would be offered remotely throughout spring 2020 quarter.

HFS incurred costs directly related to the COVID-19 pandemic, which are included in the following expense categories for the years ended June 30:

		2021	2020
Salaries and related benefits	$	1,033,579	517,350
Cost of food and merchandise		27,474	64,062
Indirect expenses		24,030	16,960
Contract services		66,991	428
Supplies		181,971	51,496
Repairs and maintenance		15,433	10,855
Other		—	8,791
Total	$	1,349,478	669,942

As a department funded by revenue from student fees, HFS has been disproportionately impacted by the shift to remote learning. On July 7, 2020, the University completed a funding agreement to accept the Institutional Portion of the Higher Education Emergency Relief Fund I (HEERF I) grant authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law in March 2020. Of these funds, $14.6 million was allotted to HFS and was recognized in fiscal year 2021. HFS used these funds to service debt that would otherwise be funded with revenue generated from student housing fees. In June 2021, HFS received a second grant award of $20.0 million from the Higher Education Emergency Relief Fund II (HEERF II) authorized by the Coronavirus Response and Relief Supplemental Appropriations

Act (CRRSA) signed into law in December 2020. These funds were recognized in fiscal year 2021 and were used to offset lost revenue from student housing fees and food services.

(3) Capital Assets

Capital asset activity for the years ended June 30, 2021 and 2020 is summarized as follows:

		Balance at June 30, 2020	Additions/ Transfers	Retirements/ Transfers	Balance at June 30, 2021
Capital assets, not being depreciated:					
Land	$	6,775,215	—	—	6,775,215
Construction in progress		53,389,509	6,947,634	(60,318,325)	18,818
Total capital assets not being depreciated		60,164,724	6,947,634	(60,318,325)	6,794,033
Capital assets, being depreciated:					
Building and building improvements		802,148,595	57,306,377	—	859,454,972
Equipment		5,238,035	120,841	(147,657)	5,211,219
Total capital assets being depreciated		807,386,630	57,427,218	(147,657)	864,666,191
Less accumulated depreciation:					
Building and building improvements		222,622,185	32,483,203	—	255,105,388
Equipment		3,933,486	379,300	(147,657)	4,165,129
Total accumulated depreciation		226,555,671	32,862,503	(147,657)	259,270,517
Capital assets, net	$	640,995,683	31,512,349	(60,318,325)	612,189,707

		Balance at June 30, 2019	Additions/ Transfers	Retirements/ Transfers	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	$	6,775,215	—	—	6,775,215
Construction in progress		12,534,361	40,980,522	(125,374)	53,389,509
Total capital assets not being depreciated		19,309,576	40,980,522	(125,374)	60,164,724
Capital assets, being depreciated:					
Building and building improvements		801,757,478	391,117	—	802,148,595
Equipment		5,265,474	626,123	(653,562)	5,238,035
Total capital assets being depreciated		807,022,952	1,017,240	(653,562)	807,386,630
Less accumulated depreciation:					
Building and building improvements		192,134,356	30,487,829	—	222,622,185
Equipment		4,119,735	447,354	(633,603)	3,933,486
Total accumulated depreciation		196,254,091	30,935,183	(633,603)	226,555,671
Capital assets, net	$	630,078,437	11,062,579	(145,333)	640,995,683

North campus construction projects for the new Oak Hall and renovations for the Denny Field added to construction in progress during 2021. Both projects were substantially completed and placed in service during the year. The total cost of the Oak Hall was $57,306,377, which was transferred from construction in progress to building and building improvements during the year ended June 30, 2021. The ownership of the renovated Denny Field was transferred to UW Recreation upon project completion in fiscal year 2021.

North campus construction projects for the new Oak Hall and renovations for the McMahon 8 Community Center added to construction in progress during 2020. The portion of the McMahon 8 Community Center funded by HFS was placed in service during the year, as were the portions of the community center transferred from other University departments.

(Continued)

(4) Noncurrent Liabilities

Noncurrent liability activity for the years ended June 30, 2021 and 2020 is summarized as follows:

	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021
Noncurrent liabilities:				
ILP payable	$ 668,620,509	—	(19,895,258)	648,725,251
Notes payable	19,000,000	—	(1,468,607)	17,531,393
Pension liability	9,444,916	—	(3,632,492)	5,812,424
OPEB liability	20,437,441	—	(147,889)	20,289,552
Lease payable	895,000	—	(435,000)	460,000
Total noncurrent liabilities	718,397,866	—	(25,579,246)	692,818,620
Current portion	(21,732,386)			(22,905,127)
Noncurrent portion	$ 696,665,480			669,913,493

	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020
Noncurrent liabilities:				
ILP payable	$ 687,217,069	—	(18,596,560)	668,620,509
Notes payable	—	19,000,000	—	19,000,000
Pension liability	10,286,796	—	(841,880)	9,444,916
OPEB liability	18,609,796	—	1,827,645	20,437,441
Lease payable	1,310,000	—	(415,000)	895,000
Total noncurrent liabilities	717,423,661	19,000,000	(18,025,795)	718,397,866
Current portion	(18,855,237)			(21,732,386)
Noncurrent portion	$ 698,568,424			696,665,480

(5) Long-Term Capital Debt

Long-term capital debt consists of liabilities to the University Internal Lending Program (ILP) and direct borrowing.

Effective July 1, 2008, the University Board of Regents adopted the amended “Debt Management Policy: Statement of Objectives and Policies” to provide for the implementation of an ILP.

The purpose of the ILP is to lower the University's overall cost of capital and provide internal borrowing units with a stable and predictable borrowing rate. The ILP will make loans to internal borrowers at a uniform internal lending rate. These loans will be funded through the issuance of University general revenue bonds and notes. ILP program policies include a provision for a rate of stabilization reserve and a provision for rate adjustments, if necessary.

On April 22, 2008, the University issued General Revenue Refunding Bonds (2008 Bonds) to refund certain outstanding bonds of the University. A portion of the proceeds from the sale of the 2008 Bonds was used for the purpose of refunding HFS's 1996 Junior Lien Revenue Bonds with a premium. Related to this, HFS is obligated to the ILP in the amount of $2,493,333 and $4,683,750 as of June 30, 2021 and 2020, respectively. The final payment is due in fiscal year 2022. The average interest rate is 3.75%. The balance of the premium was $52,820 and $105,680 as of June 30, 2021 and 2020, respectively.

In December 2008, HFS drew funds from the ILP in a total amount of $6,348,067 to purchase the Cavalier Apartments property for future housing development plans. The final payment is due in fiscal year 2034. The interest rate was 4.25% as of June 30, 2021 and 2020. Related to this, HFS is obligated to the ILP in the amount of $4,144,410 and $4,388,426 as of June 30, 2021 and 2020, respectively.

In October 2010, the University issued General Revenue & Refunding Bonds, 2010A & B. A portion of the proceeds was used to partially refund the 2002 Housing and Dining Revenue & Refunding Bonds with a premium. Related to this, HFS is obligated to the ILP in the amount of $5,796,869 and $6,225,920 as of June 30, 2021 and 2020, respectively. The final payment is due in fiscal year 2032. The interest rate was 4.25% as of June 30, 2021 and 2020. The balance of the premium was $13,639 and $27,259 as of June 30, 2021 and 2020, respectively.

In March 2012, the University issued General Revenue & Refunding Bonds, 2012A & B. A portion of the proceeds was used to fully refund the 2002 and 2004 Housing and Dining Revenue & Refunding Bonds. The amount refunded was $15,595,000, with no gain or loss. Related to this, HFS is obligated to the ILP in the amount of $5,393,656 and $6,469,493 as of June 30, 2021 and 2020, respectively. The final payments are due in fiscal years 2022 and 2029, respectively. The interest rate was 4.25% as of June 30, 2021 and 2020, for the GRB 2012A. The interest rate was 4.06% for GRB 2012B as of June 30, 2021 and 2020.

From May 2009 through January 2016, the Board of Regents approved borrowing for HFS under the ILP of up to $760,775,515 for the four phases of the Housing Master Plan to build residence halls and single student apartments. The total draws to fund the project were $690,142,868. Phase 1a was completed in 2011 and Phases 1b, 2a, 2b, and 3 were completed in each of the succeeding four fiscal years. Repayment of borrowings for each phase of the project began in the autumn after each phase was completed. Debt repayments for Phase 4a of the project began in autumn 2019. Related to this, HFS is obligated to the ILP in the amount of $613,903,944 and $628,622,231 as of June 30, 2021 and 2020, respectively. The final payments are due between the fiscal years 2042 and 2049. The interest rate was 4.25% as of June 30, 2021 and 2020.

In July 2016, due to the transfer of the Nordheim Court Apartments from UW Real Estate (note 6), HFS is obligated to the ILP in the amount of $16,926,578 and $18,097,750 as of June 30, 2021 and 2020, respectively. The final payment is due in fiscal year 2032. The interest rate was 4.25% as of June 30, 2021 and 2020.

In June 2020, HFS was authorized to directly borrow $19,000,000 under the Financing Assets in the Short Term (FAST) loan program to allow for the completion of the Oak Hall construction project, while preserving cash reserves. Proceeds of $12,000,000 and $7,000,000 were received in June 2020 under FAST1 and FAST2 notes payable, respectively. The notes are secured by the general revenue of the University. Repayments began in September 2020, and the final payments are due in fiscal year 2031. Related to FAST1 note, HFS is obligated to the FAST program in the amount of $11,058,526 and $12,000,000 as of June 30, 2021 and 2020, respectively. The interest rate was 1.19% as of June 30, 2021 and 2020. Related to FAST2 note, HFS is obligated to the FAST program in the amount of $6,472,867 and $7,000,000 as of June 30, 2021 and 2020, respectively. The interest rate was 1.88% as of June 30, 2021 and 2020.

The ILP agreements require HFS to maintain certain financial performance ratios. If these requirements were violated, future financing from the ILP could be ceased or minimized. The FAST loan authorization also includes internal covenants that are similar to the ILP requirements. As of June 30, 2021 and 2020, respectively, the loan covenants were temporarily waived by the University of Washington Board of Regents for fiscal years 2021 and 2022, respectively, due to impacts of the coronavirus pandemic.

Debt service requirements at June 30, 2021 were as follows:

	ILP Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2022	$ 20,625,928	27,212,020	1,819,198	241,917
2023	18,641,803	26,361,826	1,845,648	215,467
2024	19,452,730	25,552,460	1,872,503	188,613
2025	20,297,936	24,707,785	1,899,769	161,346
2026–2030	114,262,718	109,541,543	9,922,723	382,853
2031–2035	128,885,479	83,414,685	171,552	208
2036–2040	151,646,371	54,104,761	—	—
2041–2045	134,563,981	20,937,421	—	—
2046–2049	40,281,846	2,842,598	—	—
	648,658,792	$ 374,675,099	17,531,393	1,190,404
Add unamortized premium	66,459			
	$ 648,725,251			

(6) Leases

Lease Payments

In June 2001, the state of Washington, in conjunction with the Washington Finance Officers Association (a nonprofit corporation), issued Certificates of Participation (CoPs) to certain investors. Proceeds from the CoPs were used for improvements to food services at the Husky Union Building. The University makes certain payments (considered lease payments) as required by the CoPs and HFS has agreed to reimburse the University for these payments.

The total principal obligation under this agreement was $460,000 and $895,000 as of June 30, 2021 and 2020, respectively, and is expected to be repaid in one annual installment of $484,150 (including imputed interest of approximately 5%) in 2022. Minimum future payments under this agreement at June 30, 2021 were as follows:

	Principal	Interest	Total
2022	$ 460,000	24,150	484,150
	$ 460,000	24,150	484,150

Lease Revenue

The University and Community Development Properties (CDP), a nonprofit organization, entered into a lease agreement whereby CDP issued bonds to undertake a comprehensive redevelopment of the Commodore Duchess and Radford Court properties for student housing. In July 2011 and 2012, the University assumed responsibility for the Nordheim Court, Commodore Duchess, and Radford Court properties from CDP. In July 2016, the Nordheim Court property agreement was amended such that it became the direct responsibility of HFS in order to offer University programs to residents that could not be administered by a third-party property manager.

The Commodore Duchess and Radford Court properties (the Apartments) are owned by the University and are managed by UW Real Estate in conjunction with an outside property manager. The University refunded the CDP bonds with loan proceeds from the ILP. In accordance with the ILP financing agreement, HFS will be obligated to pay debt service on this loan only in the event that funds from the Apartments are insufficient to cover debt service payments on the loan. The Apartments have been self-sustaining in the current and prior years. The outstanding debt under this agreement was $27,633,312 and $29,746,666 as of June 30, 2021 and 2020, respectively.

The University receives an annual payment from the Apartments, which it designates to HFS. Revenue from these properties was $2,583,782 and $3,232,888 for the years ended June 30, 2021 and 2020, respectively.

(7) Deferred Outflows and Deferred Inflows of Resources

The balance of deferred outflows of resources is related to the following retirement benefit plans as of June 30:

		2021	2020
Public Employees' Retirement System pension plans (note 8)	$	1,951,661	2,285,987
University of Washington Supplemental Retirement Plan (note 8)		981,827	1,415,180
Other postemployment benefits (OPEB) (note 9)		38,774	2,107,720
Total deferred outflows of resources	$	2,972,262	5,808,887

The balance of deferred inflows of resources is related to the following retirement benefit plans as of June 30:

		2021	2020
Public Employees' Retirement System pension plans (note 8)	$	1,452,239	3,078,410
University of Washington Supplemental Retirement Plan (note 8)		2,944,056	472,084
Other postemployment benefits (OPEB) (note 9)		5,107,572	7,061,441
Total deferred inflows of resources	$	9,503,867	10,611,935

(8) Pension Plans

The University offers several contributory pension plans administered by the Washington State Department of Retirement Systems (DRS). HFS has employees in the Public Employees' Retirement System plan, which is a defined-benefit retirement plan. The University of Washington Retirement Plan (UWRP), a defined-contribution plan, is administered by the University. The University of Washington Supplemental Retirement Plan, a noncontributory defined-benefit pension plan, which operates in tandem with the UWRP, is closed to new participants.

(a) Plan Descriptions of the DRS Plans

(i) Public Employees' Retirement System (PERS)

PERS retirement benefit provisions are contained in chapters 41.34 and 41.40 of the Revised Code of Washington (RCW). PERS is a cost-sharing multiple-employer retirement system comprised of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined-benefit plans, and PERS Plan 3 is a defined-benefit plan with a defined contribution component. PERS members include higher education employees not participating in other higher education retirement programs.

For accounting purposes, PERS is reported as three separate plans. Plan 1 accounts for the defined benefits of Plan 1 members, Plan 2/3 accounts for the defined benefits of Plan 2 and Plan 3 members, and Plan 3 accounts for the defined contribution portion of Plan 3 members. The defined-benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund, and all assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Plan 2/3 is considered a single plan for accounting purposes.

(b) Vesting and Benefits Provided

(i) PERS Plan 1

PERS Plan 1 provides retirement, disability and death benefits. This plan is closed to new entrants. All members were vested after the completion of five years of eligible service. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest-paid consecutive service months. The retirement benefit may not exceed 60% of the AFC.

Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Other benefits include an optional cost-of-living allowance adjustment.

(ii) PERS Plan 2/3

PERS Plan 2/3 provides retirement, disability and death benefits. PERS Plan 2 members are vested after completion of five years of eligible service. PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service, or after five years of service if 12 months are earned after age 44. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2, and 1% of AFC times the member's years of service for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered early retirement. Members are eligible for early retirement with a reduced benefit at age 55 with at least 20 years of service credit. The benefit is reduced by a factor that varies according to age, for each year before age 65.

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include a cost-of-living adjustment (based on the Consumer Price Index) capped at 3% annually.

(c) Fiduciary Net Position

The pension plans' fiduciary net positions have been determined on the same basis as they are reported by the pension plans. DRS financial statements have been prepared in conformity with generally accepted accounting principles. The retirement plans are accounted for in pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are earned. Employer

(Continued)

contributions are recognized when due, and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due, and payable in accordance with the terms of each plan.

Chapter 43.33 A of the RCW authorizes the Washington State Investment Board (WSIB) to have the investment management responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

DRS publishes an annual report for retirement plans, which is available at https://www.drs.wa.gov/administration/annual-report/.

(d) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the HFS. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on HFS's financial statements.

The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (OSA). HFS's 2021 proportionate share of the pension liability is based on an OSA valuation performed as of June 30, 2019, with the results rolled forward to the measurement date of June 30, 2020. Likewise, HFS's 2020 proportionate share of the pension liability is based on an OSA valuation performed as of June 30, 2018, with the results rolled forward to the measurement date of June 30, 2019. The following actuarial assumptions have been applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increase	Expected to grow by promotions and longevity in addition to salary inflation assumption of 3.50%
Investment rate of return	7.40%

Mortality rates were based on the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the 2013-2018 Experience Study Report and the 2019 Economic Experience Study. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

The long-term expected rate of return on pension plan investments was determined by the WSIB using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA reviewed the historical experience data, considered the historical conditions that produced past annual returns, and considered the CMAs, and simulated investment returns provided by the WSIB in their selection of the rate.

The long-term expected rate of return of 7.40% as of June 30, 2020 and 2019, approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or dampen any short-term changes that are not expected over the entire 50-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for each pension plan, as of the measurement dates, are summarized in the following table:

	2021 (measurement date 2020)		2020 (measurement date 2019)	
	Target allocation	Long-term expected arithmetic real rate of return	Target allocation	Long-term expected arithmetic real rate of return
Asset class:				
Fixed income	20.00 %	2.20 %	20.00 %	2.20 %
Tangible assets	7.00	5.10	7.00	5.10
Real estate	18.00	5.80	18.00	5.80
Global equity	32.00	6.30	32.00	6.30
Private equity	23.00	9.30	23.00	9.30

The inflation component used to create the above table was 2.20% for both years, and represents WSIB's most recent long-term estimate of broad economic inflation.

(e) Discount Rate

The discount rate used to measure the total pension liabilities and the change in the discount rate since the prior measurement date, if any, as of June 30, 2021 and 2020 was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1). Based on those assumptions, the fiduciary net position for each pension plan in which the HFS participates was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.40% future investment rate of return on pension plan investments was assumed as of June 30, 2020 and 2019. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1, as provided for in Chapter 41.45 of the RCW).

(f) Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following tables present HFS's proportionate net pension liabilities and assets calculated using the discount rates of 7.40% as of June 30, 2020 and 2019, as well as what the net pension liabilities or assets would be if it were calculated using a discount rate that is one-percentage-point lower (6.40%) or one-percentage-point higher (8.40%) than the current rate:

	1% Decrease	Current discount rate	1% Increase
		(Dollars in thousands)	
Plan as of June 30, 2021:			
PERS 1	$ 4,532	3,618	2,821
PERS 2/3	10,371	1,667	(5,501)

	1% Decrease	Current discount rate	1% Increase
		(Dollars in thousands)	
Plan as of June 30, 2020:			
PERS 1	$ 5,161	4,121	3,219
PERS 2/3	10,137	1,322	(5,912)

(g) Employer Contribution Rates

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA, and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The following table presents the contribution rates, stated as a percentage of covered payroll as defined by the statute, and required contributions for each DRS plan in which HFS participates for the years ended June 30, 2021 and 2020:

Description		PERS	
		PERS 1	Plan 2/3[a]
		(Dollars in thousands)	
Contributions as of June 30, 2021:			
Contribution rate		12.86 %	12.86 %
Contributions made	$	598	962
Contributions as of June 30, 2020:			
Contribution rate		12.83 %	12.83 %
Contributions made	$	743	1,200

(a) Plan 2/3 employer rate includes a component to address the Plan 1 unfunded actuarial accrued liability.

(h) HFS Proportionate Share

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by HFS as of June 30, 2021 was June 30, 2020. Employer contributions received and processed by DRS during the fiscal year ended June 30, 2020 have been used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in their June 30, 2020 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension plan liabilities recorded by HFS as of June 30, 2020 was June 30, 2019, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2019 used as the basis for determining each employer's proportionate share of the collective pension amounts. HFS's proportionate share for each DRS plan is shown in the table below:

	Proportionate share	
	PERS 1	PERS 2/3
Year ended June 30, 2021	0.10 %	0.13 %
Year ended June 30, 2020	0.11 %	0.14 %

(i) HFS Aggregated Balances

HFS's aggregated balances of net pension liability as of June 30, 2021 and 2020 are presented in the table below:

Plan		PERS 1	PERS 2/3	Total
			(Dollars in thousands)	
June 30, 2021:				
Net pension liability	$	3,618	1,667	5,285
June 30, 2020:				
Net pension liability	$	4,121	1,322	5,443

(j) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The tables below summarize HFS's pension expense, deferred outflows of resources and deferred inflows of resources related to the DRS pension plans, together with the related future year impacts to pension expense from amortization of those deferred amounts. Note that deferred outflows of resources related to HFS contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year, and are not amortized to pension expense.

		Proportionate share of pension expense		
Description		PERS 1	PERS 2/3	Total
			(Dollars in thousands)	
As of June 30, 2021	$	(15)	126	111
As of June 30, 2020	$	112	329	441

		Deferred outflows of resources		
Description		PERS 1	PERS 2/3	Total
			(Dollars in thousands)	
June 30, 2021:				
Change in assumptions	$	—	24	24
Difference between expected and actual experience		—	368	368
HFS's contributions subsequent to the measurement date of the collective net pension liability[a]		598	962	1,560
Total	$	598	1,354	1,952

(a) Recognized as a reduction of the net pension liability as of June 30, 2021

Description		Deferred outflows of resources PERS 1	PERS 2/3	Total
		(Dollars in thousands)		
June 30, 2020:				
Change in assumptions	$	—	34	34
Difference between expected and actual experience		—	309	309
HFS's contributions subsequent to the measurement date of the collective net pension liability[b]		743	1,200	1,943
Total	$	743	1,543	2,286

(b) Recognized as a reduction of the net pension liability as of June 30, 2020

Description		Deferred outflows of resources PERS 1	PERS 2/3	Total
		(Dollars in thousands)		
June 30, 2021:				
Difference between projected and actual earnings on plan investments, net	$	20	85	105
Change in assumptions		—	1,138	1,138
Difference between expected and actual experience		—	209	209
Change in HFS's proportionate share		—	—	—
Total	$	20	1,432	1,452
June 30, 2020:				
Difference between projected and actual earnings on plan investments, net	$	275	1,924	2,199
Change in assumptions		—	555	555
Difference between expected and actual experience		—	284	284
Change in HFS's proportionate share		—	40	40
Total	$	275	2,803	3,078

Amounts reported as deferred outflows of resources, as of June 30, 2021, exclusive of contributions made after the measurement date, and deferred inflows of resources will be recognized in pension expense as follows:

Year		Amortization of deferred inflows and deferred outflows of resources[a] PERS 1	PERS 2/3	Total
		(Dollars in thousands)		
2022	$	(91)	(739)	(830)
2023		(3)	(211)	(214)
2024		28	(16)	12
2025		46	116	162
2026		—	(89)	(89)
Thereafter		—	(102)	(102)
Total	$	(20)	(1,041)	(1,061)

(a) Negative amounts shows in the table above represent a reduction of expense.

(k) University of Washington Retirement Plan

UWRP, a single-employer 403(b) defined-contribution plan, is administered by the University. Faculty, librarians, and professional staff are eligible to participate in the UWRP.

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.

(i) 403(b) Funding Policy

Employee contribution rates, based on age, are 5.0%, 7.5%, or 10.0% of salary. The University matches 100% of employee contributions. Within parameters established by the legislature, contribution requirements may be established or amended by the University of Washington Board of Regents.

(l) University of Washington Supplemental Retirement Plan

UWSRP, a single-employer 401(a) defined-benefit retirement plan administered by the University, operates in tandem with the 403(b) plan to supplement the expected defined-contribution retirement savings accumulated under the UWRP. For purposes of measuring the June 30, 2021 net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the UWSRP and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported in the state of Washington's Annual Comprehensive Financial Report, which is available at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. As of June 30, 2021, 21 active and 4 inactive HFS employees were receiving benefits, with 1 inactive employee entitled to, but not receiving, benefits. As of June 30, 2020, 31 active and 4 inactive HFS employees were receiving benefits, with 1 inactive employee entitled to, but not receiving, benefits.

(i) Vesting and Benefits Provided

UWSRP retirement benefit provisions are contained in RCW 28B.10.400, et. seq., which assigns the authority to establish and amend benefit provisions to the University of Washington Board of Regents. Members are eligible for calculation of a possible retirement benefit under this plan when they have reached age 62 and have 10 years of service with the University. Upon retirement, a calculation is performed which compares "goal income" to "assumed income" to determine if benefits have been earned under the plan.

Goal income is the product of a service factor multiplied by average monthly compensation, and then by eligible years of participation. Average monthly compensation is defined as the average annual basic salary, not to exceed annual limits established by the Internal Revenue Code, paid to a participant for their highest 24 consecutive months of service.

Assumed income must be calculated by an independent actuary, and represents a theoretical amount of monthly income that would have been generated if actual employee and University contributions to the UWRP had been allocated equally between fixed and variable dollar annuities.

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the fiscal years ended June 30, 2021 and 2020 were $41 thousand and $43 thousand, respectively.

(ii) Employer Contributions

Legislation signed into law on July 1, 2020, created an employer contribution rate for the UWSRP. This rate is developed by the OSA in accordance with RCW 41.45, which provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The HFS's contribution rate for the fiscal year ended June 30, 2021 per RCW 28B.10.423 was 0.41% of UWRP covered salaries. Contributions made in the fiscal year ended June 30, 2021 were $30 thousand. Prior to fiscal year 2021 employer contributions were not required.

(iii) Plan Investments

The WSIB has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

UWSRP plan assets are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in footnote 3.B of the state of Washington's Annual Comprehensive Financial Report.

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. For the year ended June 30, 2021, the annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense, was 34.90 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

(iv) UWSRP Pension Liability

Assets set aside to pay UWSRP benefits are not held in a qualified trust as defined by GASB. A qualified trust requires that contributions from employers be irrevocable, dedicated to providing pension benefits to plan members, and are legally protected from creditors of the employer and plan administrator. As a result, these assets are not reflected as a reduction of the Total Pension Liability (TPL).

The University had set aside assets to pay future UWSRP retiree benefits, of which $1,440,090 and $1,765,100 belongs to HFS as of June 30, 2021 and 2020, respectively. These assets are physically segregated in a separate investment account, and included in other assets on the Statements of Net Position. These assets are in addition to those amounts now residing with the WSIB, which are reflected as a reduction of the TPL beginning in fiscal year 2021.

Effective July 1, 2020, legislation signed into law created a trust arrangement for assets dedicated to paying UWSRP benefits to plan members. Contributions paid to and accumulated by DRS, in anticipation of this change, beginning January 1, 2012 were transferred into the trust when this legislation became effective. As a result, HFS is now applying accounting guidance for single employer plans that have trusted assets, and reports the pension liability net of plan assets as of June 30, 2021.

The allocation method used to determine HFS's proportionate share of the University's Net Pension Liability (NPL) and TPL is based on its unit allocation of what is funded through the benefit load process. This proportionate share percentage for HFS was 0.42% and 0.52% as of June 30, 2021 and 2020, respectively.

(Continued)

The components of the UWSRP liability were as follows:

		TPL	Plan Fiduciary Net Position	NPL[a]
			(Dollars in thousands)	
Schedule of changes in net pension liability:				
Balance as of July 1, 2020	$	4,002	312	3,690
Service cost		96	—	96
Interest on TPL		74	—	74
Difference between expected and actual experience		(1,557)	—	(1,557)
Change in assumptions		(933)	—	(933)
Employer contributions		—	30	(30)
Investment income		—	92	(92)
Benefit payments		(41)	—	(41)
Change in proportion		(679)	—	(679)
Net changes		(3,040)	122	(3,162)
Balance as of June 30, 2021	$	962	434	528

(a) NPL is the difference between TPL and Plan Fiduciary Net Position.

		TPL
		(Dollars in thousands)
Schedule of changes in total pension liability:		
Balance as of July 1, 2019	$	3,081
Service cost		85
Interest on TPL		109
Difference between expected and actual experience		161
Change in assumptions		649
Change in proportion		(40)
Benefit payments		(43)
Balance as of June 30, 2020	$	4,002

The June 30, 2021 TPL is based on an actuarial valuation performed as of June 30, 2020 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2021. The June 30, 2020 TPL is based on an actuarial valuation performed as of June 30, 2018 with update procedures performed to roll forward the TPL to the measurement date of June 30, 2020. Both valuations were prepared using the entry age actuarial cost method.

HFS's share of UWSRP pension expense for the fiscal years ended June 30, 2021 and 2020 was $(187) thousand and $316 thousand, respectively.

(v) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on HFS. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on HFS's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2021 and the TPL as of June 30, 2020:

	June 30, 2021 (Dollars in thousands)
Significant assumptions used to measure the UWSRP pension liability:	
Inflation	2.75 %
Salary changes	4.00
Source of mortality assumptions	Pub. H-2010 tables, with the MP-2017 mortality improvement scale
Date of experience study	August 2021
Discount rate	7.40 %
Change in discount rate since prior measurement date	5.19
Source of discount rate	2019 Report on Financial Condition and Economic Experience Study
Investment rate of return	7.40 %
NPL measurement at discount rate	$ 528
NPL discount rate increased 1%	444
NPL discount rate decreased 1%	625

		June 30, 2020
		(Dollars in thousands)
Significant assumptions used to measure the UWSRP pension liability:		
Inflation		2.75 %
Salary changes		4.25
Source of mortality assumptions		RP-2000 Combined Healthy Table, with generational mortality improvements using Scale BB
Date of experience study		April 2016
Discount rate		2.21 %
Change in discount rate since prior measurement date		(1.29)
Source of discount rate		Bond Buyer's 20 bond index as of 6/30/2020
TPL measurement at discount rate	$	4,002
TPL discount rate increased 1%		3,475
TPL discount rate decreased 1%		4,643

Material assumption changes during the measurement periods ending June 30, 2021 and 2020 included updating the discount rate from 2.21% to 7.40% and from 3.50% to 2.21%, respectively, as well as updated investment assumptions. Additionally, actual returns for CREF investments, which are used in determining a member’s “assumed income”, were significantly higher than expected for the measurement period ending June 30, 2021, but were lower than expected for the period ending June 30, 2020 (reflected as “Difference between expected and actual experience” in the Schedules of Changes in the UWSRP Liability).

The long-term expected rate of return on pension plan investments was determined by the WSIB using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB’s CMAs. WSIB used the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs, and simulated investment returns provided by the WSIB in their selection of the rate.

(Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

	Target allocation	Long-term expected arithmetic real rate of return
Asset class:		
Fixed income	20.00 %	2.20 %
Tangible assets	7.00	5.10
Real estate	18.00	5.80
Global equity	32.00	6.30
Private equity	23.00	9.30

(vi) Deferred Outflows and Deferred Inflows of Resources

The tables below summarize the HFS's deferred outflows and deferred inflows of resources related to the UWSRP, together with the related future year impacts to pension expense from amortization of those deferred amounts:

	2021	2020
	(Dollars in thousands)	
Deferred outflows of resources:		
Difference between expected and actual experience	$ 364	533
Change in assumptions	538	785
Change in proportionate share	80	97
Total	$ 982	1,415
Deferred inflows of resources:		
Difference between expected and actual experience	$ 1,525	300
Change in assumptions	881	127
Net difference between projected and actual earnings on plan investments	58	—
Change in proportionate share	480	45
Total	$ 2,944	472

Amortization of deferred inflows and deferred outflows of resources:		
Year:		
2022	$	(336)
2023		(336)
2024		(336)
2025		(276)
2026		(244)
Thereafter		(434)
Total	$	(1,962)

(9) Other Post-Employment Benefits (OPEB)

(a) Plan Description

OPEB are benefits provided to retired employees (and their spouses) beyond those provided by their pension plans. These programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine terms and conditions of employee and retired employee participation and coverage. Benefits provided by this single-employer defined-benefit OPEB plan include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. Retirees have access to all of these benefits; however, medical, prescription drug and vision insurance comprise the bulk of the monetary assistance, or subsidies, provided by PEBB OPEB.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in the valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The HCA has two claim pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. For retirees, participating employers provide two different subsidies: an implicit subsidy and an explicit subsidy.

The implicit subsidy, set up under RCW 41.05.022, is not a direct payment from the employer on behalf of the retiree. Retirees who are not yet eligible for Medicare benefits may currently continue to participate in the state's non-Medicare community-rated health insurance risk pool. Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums. Therefore, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. This results in an implicit subsidy since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

The explicit subsidy, permitted under RCW 41.05.085, is a set dollar amount which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The subsidy was $183 per member per month for fiscal year 2021. The subsidy increased to $183 per member per month beginning in calendar year 2020. It was set at $168 per member per month for the first half of fiscal year 2020.

The OPEB plan is currently available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire. PEBB member data used in the valuation of the OPEB liability include members enrolled in a PEBB program as well as other active employees who were eligible to enroll but waived coverage.

The table below shows HFS's PEBB membership data as of June 30, 2021 and 2020:

	2021 (Measurement date 2020)	**2020 (Measurement date 2019)**
Active employees	437	441
Inactive employees receiving benefits	120	119
Inactive employees entitled to, but not receiving, benefits	20	21

(b) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that OPEB obligations will have on HFS. The professional judgments used by the Washington State Office of the State Actuary (OSA) in determining the assumptions used to value the state of Washington OPEB liability are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on HFS's financial statements. The following table shows the significant assumptions used to measure the total OPEB liability (TOL) as of June 30, 2021 and 2020:

		June 30, 2021
		(Dollars in thousands)
Significant assumptions used to measure the total OPEB liability (TOL):		
Inflation		2.75 %
Healthcare cost trend		Initial rate ranges from 2% -11% reaching an ultimate rate of 4.3% in 2075.
Salary increase		3.50% plus Service-Based Salary Increases
Source of mortality assumptions		Society of Actuaries' Pub.H-2010 mortality rates, with application of the long-term MP-2017 generational improvement scale, and updated based on results of the 2013–2018 Demographic Experience Study Report and the 2019 Report on Financial Condition and Economic Experience Study.
Date of experience study		2013–2018 Experience Study Report
Discount rate		2.21 %
Source of discount rate		Bond Buyer General Obligation 20-Bond Municipal Bond Index as of 6/30/20 (Measurement Date)
Post-retirement participation percentage		65.00 %
TOL measurement at discount rate	$	20,290
TOL discount rate increased 1%		16,960
TOL discount rate decreased 1%		24,566
TOL measurement at healthcare cost trend rate		20,290
TOL healthcare cost trend rate increased 1%		25,325
TOL healthcare cost trend rate decreased 1%		16,534

	June 30, 2020 (Dollars in thousands)
Significant assumptions used to measure the total OPEB liability (TOL):	
Inflation	2.75 %
Healthcare cost trend	Trend Rate assumptions vary slightly by medical plan. Initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080.
Salary increase	3.50% plus Service-Based Salary Increases
Source of mortality assumptions	RP-2000 Combined Healthy Table and Combined Disabled Table, with future improvements in mortality projected using 100% scale BB and updated based on results of the 2007–2012 Experience Study Report.
Date of experience study	2007–2012 Experience Study Report
Discount rate	3.50 %
Source of discount rate	Bond Buyer General Obligation 20-Bond Municipal Bond Index as of 6/30/19 (Measurement Date)
Post retirement participation percentage	65.00 %
TOL measurement at discount rate	$ 20,437
TOL discount rate increased 1%	17,089
TOL discount rate decreased 1%	24,749
TOL measurement at healthcare cost trend rate	20,437
TOL healthcare cost trend rate increased 1%	25,681
TOL healthcare cost trend rate decreased 1%	16,541

Material assumption changes during the measurement period ending June 30, 2020 include updating the discount rate, updating the forecasts of healthcare cost trend rate, and the mortality assumptions trends, as well as the discount rate as of each measurement date, as required by GASB 75. Material assumption changes during the measurement period ending June 30, 2019 include updating the discount rate, as required by GASB 75. The discount rate used for the beginning TOL was 3.50% and the discount rate used for the ending TOL was 2.21%, resulting in an increase of the TOL.

(c) Changes in the Total OPEB Liability

The TOL for the state of Washington as of June 30, 2021 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020. The TOL for the state of Washington as of June 30, 2020 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2018. The measurement dates for the TOL reported at June 30, 2021 and 2020 are the same as the valuation dates. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as HFS. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine HFS's proportionate share of the University's TOL is the relationship of HFS's active, healthcare-eligible employee headcount to the corresponding University total. The HFS's proportionate share percentage was 1.20% in 2021 and 1.33% in 2020.

The OPEB plan is funded on a pay-as-you-go basis. Accordingly, contributions from employers to the HCA occur only when benefits become due (after retirement). No qualified trust fund has been established dedicated to these benefits, and there are no associated assets. As a result, HFS reports a proportionate share of the University's total OPEB liability.

		June 30, 2021	June 30, 2020
		(Dollars in thousands)	
Schedule of changes in total OPEB liability:			
Beginning balance	$	20,437	18,610
Service cost		842	827
Interest		704	717
Difference between expected and actual experience		(108)	—
Change in assumptions		457	1,337
Benefit payments		(335)	(328)
Change in proportionate share		(990)	(726)
Other		(717)	—
Ending balance	$	20,290	20,437

(d) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The tables below summarize HFS's OPEB expense, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, together with the related future year impacts to pension expense from amortization of those deferred amounts. Note that deferred outflows of resources related to HFS contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability in the following year, and are not amortized to OPEB expense.

		2021	2020
		(Dollars in thousands)	
Proportionate share of OPEB expense	$	324	833
Deferred outflows of resources:			
Differences between expected and actual experience in the measurement of the total OPEB liability	$	445	546
HFS contributions subsequent to the measurement date of the collective total OPEB liability		357	353
Changes in assumptions		1,395	1,188
Changes in proportionate share		(2,158)	21
Total	$	39	2,108

(Continued)

		2021	2020
		(Dollars in thousands)	
Deferred inflows of resources:			
Differences between expected and actual experience in the measurement of the total OPEB liability	$	96	—
Changes in assumptions		4,785	5,926
Changes in proportionate share		227	1,135
Total	$	5,108	7,061

Amounts reported as deferred inflows and deferred outflows of resources will be recognized in OPEB expense as follows:

		2021
		(Dollars in thousands)
Amortization of deferred inflows and deferred outflows of resources[a]:		
Year:		
2022	$	(603)
2023		(603)
2024		(603)
2025		(603)
2026		(603)
Thereafter		(2,411)
Total	$	(5,426)

(a) Negative amounts shows in the table above represent a reduction of expense.

(10) Subsequent Event

The interest rate changed from 4.25% to 4.00% effective July 1, 2021 for the ILP.

Schedule of HFS Proportionate Share of the Net Pension Liability
(As of measurement date, the prior fiscal year-end)

PERS 1

(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Housing and Food Services' proportion of the net pension liability	0.10 %	0.11 %	0.11 %	0.11 %	0.11 %	0.11 %	0.11 %
Housing and Food Services' proportionate share of the net pension liability	$ 3,618	4,121	4,859	5,146	6,063	5,838	5,126
Housing and Food Services' covered payroll	15,395	14,855	14,256	13,407	13,177	12,416	10,839
Housing and Food Services' proportionate share of the net pension liability as a percentage of covered payroll	23.50 %	27.74 %	34.09 %	38.38 %	46.01 %	47.02 %	47.29 %
Plan fiduciary net position as a percentage of the total pension liability	68.64 %	67.12 %	63.22 %	61.24 %	57.03 %	59.10 %	61.19 %

Schedule of Contributions
(As of current fiscal year-end)

PERS 1

(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 6	12	16	21	23	29	28
Contributions in relation to the contractually required contribution	6	12	16	21	23	29	28
Contribution deficiency (excess)	—	—	—	—	—	—	—
Housing and Food Services' covered payroll	12,251	15,395	14,855	14,256	13,407	13,177	12,416
Contributions as a percentage of covered payroll	0.05 %	0.08 %	0.11 %	0.15 %	0.17 %	0.22 %	0.23 %

Unaudited – see accompanying independent auditors' report.

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES
(A Department of University of Washington)

Schedules of Required Supplementary Information (Unaudited)

June 30, 2021 and 2020

Schedule of HFS Proportionate Share of the Net Pension Liability
(As of measurement date, the prior fiscal year-end)

PERS 2/3

(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Housing and Food Services' proportion of the net pension liability	0.13 %	0.14 %	0.14 %	0.14 %	0.14 %	0.14 %	0.13 %
Housing and Food Services' proportionate share of the net pension liability	$ 1,667	1,322	2,347	4,765	7,035	4,928	2,530
Housing and Food Services' covered payroll	15,192	14,789	14,256	13,444	13,051	12,239	10,721
Housing and Food Services' proportionate share of the net pension liability as a percentage of covered payroll	10.97 %	8.94 %	16.46 %	35.44 %	53.90 %	40.26 %	23.60 %
Plan fiduciary net position as a percentage of the total pension liability	97.22 %	97.77 %	95.77 %	90.97 %	85.82 %	89.20 %	93.29 %

Schedule of Contributions
(As of current fiscal year-end)

PERS 2/3

(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,573	1,953	1,893	1,801	1,503	1,448	1,127
Contributions in relation to the contractually required contribution	1,573	1,954	1,893	1,803	1,505	1,462	1,127
Contribution deficiency (excess)	—	(1)	—	(2)	(2)	(14)	—
Housing and Food Services' covered payroll	12,152	15,192	14,789	14,256	13,444	13,051	12,239
Contributions as a percentage of covered payroll	12.94 %	12.86 %	12.80 %	12.65 %	11.19 %	11.20 %	9.21 %

Unaudited – see accompanying independent auditors' report.

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES
(A Department of University of Washington)

Schedules of Required Supplementary Information (Unaudited)

June 30, 2021 and 2020

Schedule of Changes in the Net Pension Liability
UW Supplemental Retirement Plan

(Dollar amounts in thousands)

		2021
Total pension liability – beginning	$	4,002
Service cost		96
Interest		74
Differences between expected and actual experience		(1,557)
Changes in assumption		(933)
Change in proportionate share		(679)
Benefit payments		(41)
Total pension liability – ending (a)		962
Plan fiduciary net position – beginning		312
Employer contributions		30
Net investment income		92
Plan fiduciary net position – ending (b)		434
UWSRP net pension liability (a) minus (b)	$	528
Plan fiduciary net position as percentage of the total pension liability		45.11 %
UWSRP covered-employee payroll	$	7,239
Net pension liability as percentage of covered employee payroll		7.29 %

Schedule of Changes in the Total Pension Liability
UW Supplemental Retirement Plan

(Dollar amounts in thousands)

		2020	2019	2018	2017
Total pension liability – beginning	$	3,081	2,073	2,161	2,550
Service cost		85	61	74	98
Interest		109	85	81	74
Differences between expected and actual experience		161	533	(170)	(369)
Changes in assumption		649	302	(86)	(141)
Change in proportionate share		(40)	66	44	(26)
Benefit payments		(43)	(39)	(31)	(25)
Total pension liability – ending	$	4,002	3,081	2,073	2,161
UWSRP covered-employee payroll	$	3,812	4,083	3,817	3,947
Total pension liability as percentage of covered-employee payroll		104.98 %	75.46 %	54.31 %	54.75 %

Unaudited – see accompanying independent auditors' report.

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES
(A Department of University of Washington)

Schedules of Required Supplementary Information (Unaudited)

June 30, 2021 and 2020

Schedule of Contributions
(As of current fiscal year-end)

UW Supplemental Retirement Plan

(Dollar amounts in thousands)

		2021
Contractually required contribution	$	28
Contributions in relation to the contractually required contribution		30
Contribution deficiency (excess)		(2)
UWSRP covered-employee payroll		7,239
Contributions as a percentage of covered-employee payroll		0.41 %

Schedule of Changes in Total OPEB Liability

(Dollar amounts in thousands)

		2021	2020	2019	2018
Total OPEB liability – beginning	$	20,437	18,610	21,574	23,102
Service cost		842	827	1,164	1,463
Interest		704	717	800	685
Differences between expected and actual experience		(108)	—	730	—
Changes in assumption		457	1,337	(5,094)	(3,342)
Benefit payments		(335)	(328)	(338)	(349)
Change in proportionate share		(990)	(726)	(226)	15
Other		(717)	—	—	—
Total OPEB liability – ending	$	20,290	20,437	18,610	21,574
OPEB covered-employee payroll	$	34,641	36,122	34,274	34,860
Total OPEB liability as percentage of covered-employee payroll		58.57 %	56.58 %	54.30 %	61.89 %

Unaudited – see accompanying independent auditors' report.

Plans Administered by DRS

The office of the State Actuary (OSA) calculates the actuarially determined contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined in Chapter 41.45 RCW.

Consistent with the state's contribution-rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2017 valuation date, completed in the fall of 2018, determines the ADC for the period beginning July 1, 2019, and ending June 30, 2021.

Additional Consideration on ADC for All Plans:

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates could be different pending the actions of the governing bodies.

For cost-sharing plans, OSA calculates the contractually required contributions (CRC) using the same assumptions and methods as the ADC, except the CRC reflect the adopted contribution rates for the time period shown, which might differ from the contribution rates produced for the ADC.

Plans Administered by the University

Washington State's House Bill 1661, effective July 1, 2020, created a trust arrangement for the UWSRP and resulted in the transfer of all funds previously contributed by the HFS into the account dedicated to paying benefits to plan's beneficiaries. This arrangement meets the criteria in GASB codification P20, paragraph 101 and resulted in a significant change in the accounting for the plan.

Covered payroll for the fiscal year ending June 30, 2021 is based on the payroll of participants in the University's 403(b) defined contribution UWRP, since the UWSRP required contributions beginning in fiscal year 2021 are based on this payroll. This employee population includes the participants of the UWSRP.

Covered payroll for the fiscal year ending June 30, 2020 and preceding years is based on the payroll of the participants of the UWSRP.

Material assumption changes during the fiscal year 2021 measurement period include updating the discount rate from 2.21% to 7.40% ("Change in assumption," which decreased the TPL). In addition, CREF investment experience during fiscal year 2021 was significantly higher than expected ("Difference between expected and actual experience," which also decreased the TPL).

In the fiscal year 2020 the UWSRP had no assets accumulated in a trust that meets the criteria in GASB codification P20, paragraph 101 to pay related benefits.

Unaudited – see accompanying independent auditors' report.

(Continued)

Material assumption changes during the fiscal year 2020 measurement period include updating the GASB 73 discount rate from 3.50% to 2.21%, which increased the TPL. Additionally, CREF investment experience during fiscal year 2020 was lower than expected, leading to an increase in the TPL. TIAA investment experience only slightly deviated from OSA's assumption.

OPEB Plan Administered by the Healthcare Authority of Washington State

The OPEB Plan has no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

Material assumption changes in fiscal year 2021 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.50% for the June 30, 2019 measurement date, to 2.21% for the June 30, 2020 measurement date. This change resulted in an increase in the TOL.

Material assumption changes in fiscal year 2020 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.87% for the June 30, 2018 measurement date, to 3.50% for the June 30, 2019 measurement date. This change resulted in an increase in the TOL.

Unaudited – see accompanying independent auditors' report.

KPMG

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Financial Statements and Schedules

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Table of Contents

KPMG LLP
Suite 2900
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 University of Washington Department of Intercollegiate Athletics (the Department) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements for the years then ended, as listed in the table of contents.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Washington Department of Intercollegiate Athletics as of June 30, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2021 and 2020, the changes in its financial position or, where applicable, its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 11, and the schedules of required supplementary information on pages 47 through 52, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The supplementary information included on pages 55 through 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Seattle, Washington
October 27, 2021

Discussion and Analysis Prepared by Management

The following discussion and analysis provide an overview of the financial position and activities of the University of Washington Department of Intercollegiate Athletics (ICA) as of and for the years ended June 30, 2021, 2020, and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section. The financial statements present only the University of Washington Department of Intercollegiate Athletics and do not purport to, and do not, present fairly the financial position of the University of Washington (the University) as of June 30, 2021 and 2020, the changes in its financial position or its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Using the Financial Statements

ICA's financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and 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. The financial health of ICA can be measured by reviewing the summaries and explanations that follow.

Statements of Net Position Summary

The following statements of net position summary shows ICA's total assets, total pension deferred outflows of resources, total liabilities, total pension deferred inflows of resources, and net position as of June 30, 2021, 2020, and 2019:

Statements of Net Position Summary

		2021	2020	2019
			(In thousands)	
Current assets	$	29,536	33,320	26,666
Noncurrent assets:				
Capital assets, net		281,883	293,373	307,827
Other		142,869	109,791	107,377
Total assets		454,288	436,484	441,870
Pension deferred outflows of resources		4,048	4,925	3,482
OPEB deferred outflows of resources		1,964	1,920	1,672
Total assets and deferred outflows of resources	$	460,300	443,329	447,024

(Continued)

Statements of Net Position Summary (continued)

		2021	2020	2019
			(In thousands)	
Current liabilities	$	29,992	31,982	35,115
Noncurrent liabilities		269,294	267,903	269,245
Total liabilities		299,286	299,885	304,360
Pension deferred inflows of resources		8,014	2,406	2,484
OPEB deferred inflows of resources		3,188	3,558	4,223
Net position		149,812	137,480	135,957
Total liabilities, deferred inflows of resources, and net position	$	460,300	443,329	447,024

The following are comments about the changes highlighted by the statements of net position summary:

- Current assets consist of cash and cash equivalents, accounts receivable, and prepaid expenses. Current assets were $456 thousand less than current liabilities at the end of 2021. Current assets were $1.3 million more than current liabilities at the end of 2020. Current assets were $8.4 million less than current liabilities in 2019. The negative working capital in 2021, is due to lower amounts of accounts receivable and higher amounts of accounts payable. In 2020, the positive working capital is due to higher amounts of cash and account receivable and lower amounts of unearned income. The negative working capital in 2019 is due to unearned income of $24.6 million largely related to ticket sales for the 2019 football seasons. The unearned income for 2021 will be recorded as revenue in 2022 following home competitions. Increases and decreases in current assets occur due to the timing of payments and receipts from operations.
- Noncurrent assets consist primarily of long-term investments, endowments, and capital assets. Noncurrent assets were $21.6 million more at the end of 2021 and $12.0 million less at the end 2020 due to an increase in endowments and other investments of $34.4 million and $862 thousand, respectively. As of June 30, 2021, and 2020, there was $18.5 million and $14.3 million of noncurrent assets in long-term investment funds in which these investments can be used to meet ICA's long-term obligations.
- Current liabilities decreased by $2.0 million during 2021 to a total of $29.9 million largely due to the decrease in unearned income. Current liabilities decreased by $3.1 million during 2020 to a total of $32.0 million largely due to decreases in accounts payable and the principal payment on the ILP loan with the University, offset by an increase in unearned income.
- Noncurrent liabilities increased by $1.4 million in 2021 due to the increase in the Internal Lending Program loan as a result of the debt deferral approved by the University's Board of Regents; this resulted in no cash interest or principal interest payments in 2021. This increase was partially offset by a decrease in pension liabilities. Noncurrent liabilities decreased by $1.3 million in 2020 due to principal payments on the ILP loan and the Husky Stadium scoreboard lease.
- The change in net position measures whether the overall financial condition has improved or deteriorated during the year. The total net position increased by $12.3 million during 2021 mainly due to receiving more

Capital Gifts for the Health and High Performance/Basketball Operations Center, and market gains in the CEF. The total net position increased by $1.5 million during 2020 mainly due mainly due to receiving more Capital Gifts related to the Health and High Performance/Basketball Operations Center.

ICA's Net Position

The following table is a summary of the net position for ICA at June 30, 2021, 2020, and 2019:

		2021	2020	2019
			(In thousands)	
Net investment in capital assets	$	32,426	53,004	63,508
Restricted:				
Nonexpendable		76,461	72,708	68,555
Expendable		57,609	27,161	23,002
Unrestricted		(16,684)	(15,393)	(19,108)
Total net position	$	149,812	137,480	135,957

The categories of net position listed in the table above are defined as follows:

- "Net investment in capital assets" is ICA's total investment in property, plant, equipment, and infrastructure, net of accumulated depreciation and any outstanding debt obligations related to those capital assets.
- "Restricted nonexpendable net position" consists of funds for which the donor has made the restriction that the principal is not available for expenditures, but investment earnings can be used for specific purposes.
- "Restricted expendable net position" is resources that ICA is obligated to spend in accordance with the restrictions placed by donors and/or external parties.
- "Unrestricted net position" is all other funds available to ICA for any purpose. Unrestricted assets are often internally designated for specific purposes.

The following are comments about the changes highlighted in the net position summary:

- Net investment in capital assets decreased by $20.6 million and $10.5 million in 2021 and 2020 to a total of $32.4 million and $53.0 million, respectively. This balance increases as debt is paid off or when ICA funds fixed asset purchases without financing. The balance decreases as assets are depreciated or debt increases.
- Restricted nonexpendable net position increased by $3.8 million and $4.2 million in 2021 and 2020, respectively, due to an increase in contributed endowments of $3.1 million and $4.5 million, respectively.
- Restricted expendable net position increased by $30.4 million and $4.2 million in 2021 and 2020 due to an increase in the market value of endowments and the contributions to the Health and High Performance/Basketball Operations restricted gift budget.
- Unrestricted net position decreased by $1.3 million in 2021 mainly due to decreases in operating revenues due to no ticketed events, however contributions and investment gains offset some of the loss of gate

(Continued)

revenue. Unrestricted net position increased by $3.7 million in 2020 mainly due to increases in sponsorship revenue due to the new Adidas agreement

- The fair market value of ICA's endowments was $119.5 million, $89.0 million, and $87.8 million at June 30, 2021, 2020, and 2019, respectively. The increase in 2021 and 2020 is due to additional endowment contributions of $3.1 million and $4.5 million and higher fair market values than in 2020 and 2019, respectively.
- ICA had $18.5 million, $14.3 million, and $14.8 million of long-term investments, not including endowments, in the University of Washington's Consolidated Endowment Fund (CEF) at June 30, 2021, 2020, and 2019, respectively. In fiscal year 2021, ICA had a market-related gain of $4.3 million. In fiscal year 2020, ICA had a market-related loss of $544 thousand.
- Short-term investments in the Invested Funds Pool used as operating funds for ICA yielded no returns in 2021 and 2020, and 0.75% in 2019.

Capital Improvements and Related Debt

- In 2021 and 2020, there was a net decrease of $20.6 million and $14.5 million in net capital assets, primarily related to the depreciation of capital assets exceeding the acquisition of capital assets during the year. In addition, in 2021, due to the Internal Lending Program debt payment deferral, the unpaid interest on the loan was added to the principal balance due on the Stadium and Ballpark ILP loans, resulting in an increase in the debt by $10.0 million.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position present how ICA's operating and nonoperating items resulted in changes in net position. In accordance with GASB reporting principles, revenues, and expenses are classified as either operating or nonoperating. The following summary shows the revenues, expenses, and changes in net position for the years ended June 30, 2021, 2020, and 2019:

Revenues, Expenses, and Changes in Net Position Summary

		2021	2020	2019
			(In thousands)	
Operating revenues	$	48,524	114,215	115,714
Operating expenses		(101,884)	(133,675)	(133,097)
Operating loss		(53,360)	(19,460)	(17,383)
Nonoperating revenues, net		55,657	8,673	8,175
Other revenues		10,035	12,310	7,077
Increase (decrease) in net position		12,332	1,523	(2,131)
Net position, beginning of year		137,480	135,957	138,088
Net position, end of year	$	149,812	137,480	135,957

(Continued)

Revenues from All Sources

The following table summarizes revenues from all sources for the years ended June 30, 2021, 2020, and 2019:

Revenues from All Sources Summary (in Thousands)

		2021	2020	2019
Gate ticket sales	$	8,250	44,110	54,558
NCAA/conference distributions		23,372	36,532	37,205
Sponsorships, trademarks, and licensing		15,332	26,577	16,874
Concessions, souvenirs, parking, and boat moorage		219	4,304	3,696
Other operating revenue		1,351	2,692	3,381
Contributions (noncapital)		24,510	15,152	10,144
Investment income, net		3,896	3,847	3,783
(Loss) gain on investments		31,000	(3,772)	1,319
University funded tuition waivers		4,501	4,360	4,152
Higher Education Emergency Relief Fund (HEERF II)		2,000	—	—
Capital gifts		6,206	7,811	2,752
Capital grants, gifts, and other		769	—	—
Endowment gifts		3,060	4,499	4,325
Total revenue – all sources	$	124,466	146,112	142,189

The following are comments about the changes highlighted by the revenue from all source's summary:

- Gate ticket sales are a major source of revenue for ICA. Totals here include revenue received through seat-related contributions, which are no longer considered tax-deductible after the passage of the Tax Cuts and Jobs Act of 2017. Ticket sales decreased by $35.9 million in 2021 from 2020 due to the Department's inability to host fans at events throughout the year due to novel Coronavirus outbreak (COVID-19) gathering restrictions. Ticket sales decreased by $10.4 million in 2020 from 2019 due to the cancellation of Fall 2021 sports events, but was much less of a decrease because of the decisions of ticket holders to contribute gate ticket sales to the Huskies All In fundraising campaign aimed at mitigating losses associated with COVID-19. This transitioned $8.6 million from gate ticket sales to contributions.
- NCAA/conference distributions decreased $13.2 million in 2021 due to football game cancellations across the conference in the Fall of 2020, which reduced TV rights and Bowl game revenue. NCAA/conference distributions decreased $673 thousand in 2020 due to decreases in NCAA distributions related to the cancellation of the Men's NCAA Basketball tournaments due to the COVID-19 outbreak.
- In 2020, sponsorships included a signing bonus from adidas for the 10-year apparel contract which started on July 1, 2019. The adidas apparel contract also included $1 million one-time product allotment to cover costs associated with the transition of all apparel items from Nike to adidas. Sponsorship revenue in 2021 was $10.9 million lower due to the elimination of these one-time resources from adidas, as well as decreases in sponsorship payments for multimedia rights and field naming rights resulting from COVID-19.

- Concessions, souvenirs, parking, and boat moorage decreased by $4.1 million in 2021 due not hosting fans at events throughout the year.
- Contributions related to noncapital gifts increased by $9.4 million in 2021 from 2020 due to the launch of the Huskies All In fundraising campaign in response to COVID-19 related revenue losses in other areas. In 2020, contributions increased mainly due to gate ticket sales being converted to tax deductible contributions to the Huskies All In campaign.
- Investment income increased by $49 thousand and $64 thousand in 2021 and 2020, respectively. Investment income is earned on the following two categories:
  - Investment income in the CEF increased by $49 thousand and $64 thousand in 2021 and 2020 mainly due to an increase in the balance held in the CEF during these periods.
  - Short-term investments received zero distributions in 2021 and 2020, and 0.75% in 2019
  - In 2021, there was an increase in gain on investments of $34.8 million, due to the increase value of long-term investments and endowment funds. In 2020, there was decrease in the gain on investments of $5.1 million due to the decreased value of long-term investments and endowment funds.
- In 2021, the Department was awarded $2.0 million in federal funding from the Higher Education Emergency Relief Fund (HEERF II). These funds were used to cover student aid and support services resulting from COVID-19.
- Capital gifts were $6.2 million in 2021, $7.8 million in 2020, and $2.8 million in 2019, respectively. The increase in 2021 and 2020 is mainly related to gifts received for the Health and High Performance/Basketball Operations Center.
- Endowment gifts decreased by $1.4 million in 2021 and increased by $174 thousand in 2020 due to differing amounts of endowments being established.

(Continued)

Expenses and Losses

The following table summarizes expenses and losses for the years ended June 30, 2021, 2020, and 2019:

Expenses and Losses Summary

	2021	2020	2019
		(In thousands)	
Salaries and wages	$ 35,127	39,219	39,266
Payroll taxes and employee benefits	7,191	9,872	9,368
Athletic student aid	15,582	14,729	14,462
Guarantees paid to visiting teams	320	1,674	1,631
Team travel	3,349	5,430	8,145
Day of game	2,054	8,622	8,843
Direct facilities, maintenance, and utilities	4,122	4,940	5,069
Advertising	—	2,749	2,808
Uniforms and supplies	6,902	9,347	6,772
Training table	2,932	2,875	3,415
Department relations	269	643	852
Banquets and special events	34	255	576
Depreciation	15,438	16,085	15,652
Noncapitalized equipment and repairs	296	2,307	1,386
Institutional overhead	—	2,910	2,767
Other operating expenses	8,268	12,018	12,085
Total operating expenses	101,884	133,675	133,097
Loss on disposal of capital assets	—	7	2
Financing cost on ballpark	—	—	1
Interest expense	10,250	10,907	11,220
Total nonoperating expenses and losses	10,250	10,914	11,223
Total	$ 112,134	144,589	144,320

The following are comments about the changes in expenses highlighted by the expenses and losses summary:

- Salaries and wages decreased by $4.1 million in 2021 from 2020 due to staffing and salary reductions aimed at mitigating the financial impacts of COVID-19. These included voluntary salary reductions, furloughs, FTE reductions, and staff layoffs. Salaries and wages decreased by $47 thousand in 2020 from 2019 due to smaller incentive bonuses due to the cancellation of spring competitive seasons due to COVID-19.
- Payroll taxes and employee benefits decreased by $2.7 million in 2021 from 2020 due to the aforementioned staffing and salary reductions. Payroll taxes and employee benefits increased by $504

(Continued)

thousand in 2020 from 2019. Since payroll taxes and employee benefits are a percentage of salaries and wages, the changes detailed above in salaries and wages for 2020 directly impact the changes in payroll taxes and employee benefits. The percentages charged to ICA on professional and contract staff salaries went from 34.1% in 2019, 32.1% in 2020 to 30.3% in 2021. The percentages charged on classified staff salaries went from 40.5% in 2019, 41.2% in 2020 to 39.6% in 2021. The percentages charged on hourly staff and overtime went from 20.9% in 2019, 20.9% in 2020 to 22.2% in 2021.

- Athletic student aid increased by $853 thousand in 2021 from 2020 partially due to in-state and out-of-state tuition rates increasing by 2.5%. In addition, in 2021, many spring sport seniors returned after being granted an additional year of eligibility when their Spring 2020 seasons were canceled due to COVID-19.
- Guarantees paid to visiting teams fluctuate due to the difference in the nonconference football game schedule. In fiscal year 2021, there were less guarantees paid out due to the cancellation of non-conference football games.
- Team travel decreased by $2.1 million in 2021 from 2020 due to regular and post-season game cancellations, particularly in football. Team travel decreased by $2.7 million in 2020 from 2019 due to the cancellation of spring competitions and championships due to COVID-19.
- Day of game decreased by $6.6 million in 2021 from 2020 due to not hosting fans at home competitions due to COVID-19. Day of game decreased by $221 thousand in 2020 from 2019 due to the cancellation of spring home competitions due to COVID-19.
- Direct facilities, maintenance, and utilities decreased by $818 thousand and increased $129 thousand in 2021 and 2020 due to changes in utility costs and contract payments to vendors in 2021 and in 2020.
- Uniforms and supplies decreased by $2.4 million in 2021 and increased $2.6 million in 2020. The increase in 2020 is due to the larger donated supplies allotment received in 2020 from the new adidas apparel contract which began July 1, 2019. This included a one-time allotment of $1 million to replace all apparel products. The decrease in 2021 is related to department budget cuts and a lower product allotment amount from adidas.
- Department relations and banquets and special events decreased by a total of $595 thousand in 2021 due not hosting the Hall of Fame ceremony, which is hosted every other year, no bowl events, and no banquets/special events being held by the Department due to COVID-19.
- Noncapitalized equipment and repairs decreased by $2.0 million in 2021 and increased $921 thousand in 2020. The decrease in 2021 is due to taking on fewer noncapitalized facility enhancement projects. The increase in 2020 is due to having more noncapitalized facility enhancement projects.
- Institutional overhead decreased by $2.9 million in 2021 as overhead was waived by the University to assist the Department in mitigating the financial impacts of COVID-19. Institutional overhead increase by $143 thousand in 2020, due to an increase in the calculation tied to higher gate revenue in 2020.

- Other expenses decreased by $3.7 million in 2021 mainly due to lower consultant expenses, no recruiting travel until June 2021, and less credit card fees from not having ticket sales. Other expenses increased $239 thousand in 2020 mainly due to the payment to the consultant used in the apparel contract negotiation process.
- Interest expense included in other operating expenses above decreased by $657 thousand in 2021 and $313 thousand in 2020 due to lower interest payments for the Husky ballpark and Husky Stadium financed projects. In addition, the Internal Lending Program interest rate decreased from 4.5% to 4.25% effective May 1, 2020.

Operating Loss

There was an operating loss of approximately $53.4 million and $19.5 million in 2021 and 2020, respectively. There was sufficient nonoperating revenues from contributions, investment income, and University funded tuition waivers to cover the operating losses for 2021 and 2020.

Economic Factors Affecting the Future

It is unclear what impact COVID-19 will have on attendance and ICA's football season ticket base in the long term. The department sold approximately 37 thousand season tickets for the 2021 football season, which is 16% lower than football season ticket sales prior to COVID-19. Since football revenue supports the operations of all 22 Intercollegiate Athletic programs, revenue loss in this area may limit the Department's ability to provide the same level of services to teams going forward.

NCAA deregulation can have a significant impact on increasing department expenses. The Alston vs. NCAA case ruling in May 2020 made it permissible to cover 'educational expenses' beyond what is typically covered in cost of attendance. Expenses that result from this ruling are still being determined but are anticipated to be significant. In addition, effective July 1, 2021, student athletes are able to profit off of their Name, Image and Likeness; this legislation represents a seismic shift in the landscape of college athletics.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Statements of Net Position

June 30, 2021 and 2020

Assets and Deferred Outflows of Resources		**2021**	**2020**
Current assets:			
Cash in the University of Washington Invested Funds Pool (note 2)	$	26,333,099	25,275,824
Accounts receivable		1,721,122	7,021,433
Prepaid expenses		1,481,938	1,022,425
Total current assets		29,536,159	33,319,682
Noncurrent assets:			
Investments:			
University of Washington Consolidated Endowment Fund (note 3)		18,506,253	14,255,257
Endowments (note 3)		119,483,062	88,972,624
UWSRP (note 9)		3,986,741	4,348,860
Advances to University for capital projects		892,414	2,214,157
Capital assets, net (note 4)		281,883,089	293,373,086
Total noncurrent assets		424,751,559	403,163,984
Total assets		454,287,718	436,483,666
Pension deferred outflows of resources (note 9)		4,048,270	4,925,202
OPEB deferred outflows of resources (note 10)		1,964,000	1,920,000
Total assets and deferred outflows of resources	$	460,299,988	443,328,868
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities:			
Accounts payable	$	1,789,477	1,440,707
Accrued salaries and vacation payable		3,746,042	3,792,340
Admission taxes payable		894,903	955,944
Accrued interest payable		15,769	355,856
Unearned income		19,699,368	21,178,397
Capitalized equipment lease payable, current portion (note 7)		962,748	940,576
Internal lending program payable, current portion (note 6)		2,884,004	3,318,627
Total current liabilities		29,992,311	31,982,447
Noncurrent liabilities:			
Capitalized equipment lease payable, net of current portion (note 7)		985,442	1,948,190
Internal lending program payable, net of current portion (note 6)		244,624,800	234,161,423
Pension liabilities (note 8)		3,717,759	12,221,945
Other post-employment benefit (OPEB) liabilities (note 10)		12,666,000	12,271,000
Pac-12 Management Fee payable		7,300,000	7,300,000
Total noncurrent liabilities		269,294,001	267,902,558
Total liabilities		299,286,312	299,885,005
Pension deferred inflows of resources (note 9)		8,013,541	2,405,551
OPEB deferred inflows of resources (note 10)		3,188,000	3,558,000
Total liabilities and deferred inflows of resources		310,487,853	305,848,556
Net position:			
Net investment in capital assets		32,426,095	53,004,270
Restricted:			
Nonexpendable (note 3)		76,461,049	72,707,823
Expendable:			
Expendable endowment principal (note 3)		1,423,523	1,096,531
Expendable endowment gains		41,598,490	15,168,270
Other expendable		14,587,269	10,896,575
Unrestricted		(16,684,291)	(15,393,157)
Total net position		149,812,135	137,480,312
Total liabilities, deferred inflows of resources, and net position	$	460,299,988	443,328,868

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

	2021	2020
Operating revenue:		
Gate ticket sales	$ 8,249,621	44,109,975
NCAA/conference distributions	23,372,161	36,531,908
Sponsorships	14,734,970	25,678,492
Concessions, souvenirs, parking, and boat moorage	218,751	4,304,505
Trademarks and licensing	597,107	898,271
Facility income	1,236,117	2,096,445
Other	115,301	595,662
Total operating revenue	48,524,028	114,215,258
Operating expenses:		
Salaries and wages	35,127,520	39,219,410
Payroll taxes and employee benefits	7,190,782	9,872,122
Athletic student aid	15,582,048	14,728,551
Guarantees paid to visiting teams	320,000	1,674,476
Team travel	3,349,320	5,429,536
Day of game expenses	2,054,244	8,622,324
Direct facilities, maintenance, and utilities	4,122,379	4,940,332
Advertising	—	2,748,685
Uniforms and supplies	6,901,507	9,347,091
Training table	2,931,911	2,875,009
Department relations	269,386	642,741
Banquets and special events	34,483	254,749
Depreciation	15,438,292	16,085,013
Noncapitalized equipment and repairs	295,534	2,306,699
Institutional overhead	—	2,909,592
Medical expenses	1,886,317	1,367,073
Fund-raising, marketing, and promotions	30,930	303,954
Recruiting	142,372	622,021
Equipment	—	7,417
Other	6,207,397	9,718,566
Total operating expenses	101,884,422	133,675,361
Operating loss	(53,360,394)	(19,460,103)
Nonoperating revenues (expenses):		
Contributions	24,510,408	15,151,614
Investment income on Invested Funds	—	7
Investment income on CEF	3,896,581	3,847,060
Gain (loss) on investments	30,999,863	(3,771,978)
Loss on disposal of capital assets	—	(6,576)
University funded tuition waivers	4,500,799	4,360,001
Higher Education Emergency Relief Fund (HEERF II)	2,000,000	—
Interest expense	(10,250,360)	(10,907,206)
Total nonoperating revenues	55,657,291	8,672,922
Gain (loss) before other revenues	2,296,897	(10,787,181)
Other revenues:		
Capital gifts	6,205,670	7,811,383
Capital grants, gifts, and other	768,880	—
Gifts to permanent endowments	3,060,376	4,498,908
Total other revenues	10,034,926	12,310,291
Increase in net position	12,331,823	1,523,110
Net position:		
Net position at beginning of year	137,480,312	135,957,202
Net position at end of year	$ 149,812,135	137,480,312

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Statements of Cash Flows

Years ended June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Gate ticket sales	$	6,744,953	40,491,480
NCAA/conference distributions		25,837,891	36,531,908
Sponsorships		12,397,331	13,526,765
Concessions and souvenirs		229,459	4,351,334
Trademarks and licensing		597,107	898,271
Facility income		1,239,642	2,300,258
Other		107,771	655,719
Payments to suppliers		(23,516,446)	(43,566,157)
Payments to employees		(35,180,418)	(39,263,640)
Payments for benefits		(9,229,046)	(9,359,956)
Payments for athletic aid		(15,585,409)	(14,657,708)
Net cash used in operating activities		(36,357,165)	(8,091,726)
Cash flows from noncapital financing activities:			
Contributions, excluding permanent endowments and capital		24,510,408	15,166,246
Contributions to permanent endowments		3,060,376	4,498,908
Interest paid on Pac-12 MMR		(504,338)	—
Higher Education Emergency Relief Fund (HEERF II)		2,000,000	—
University funded tuition waivers		4,500,799	4,360,001
Net cash provided by noncapital financing activities		33,567,245	24,025,155
Cash flows from capital and related financing activities:			
Capital gifts received		6,205,670	7,811,383
Capital grants, gifts, and other		768,880	—
Acquisition and construction of capital assets		(2,626,552)	(3,189,386)
Principal paid on capital debt		(940,578)	(3,928,292)
Interest paid on capital debt		(57,355)	(10,741,330)
Net cash provided by (used in) capital and related financing activities		3,350,065	(10,047,625)
Cash flows from investing activities:			
Purchases of investments		(3,405,904)	(4,634,273)
Investment income		3,903,034	3,847,067
Net cash provided by (used in) investing activities		497,130	(787,206)
Net increase in cash and cash equivalents		1,057,275	5,098,598
Cash and cash equivalents at beginning of year		25,275,824	20,177,226
Cash and cash equivalents at end of year	$	26,333,099	25,275,824
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(53,360,394)	(19,460,103)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense		15,438,292	16,085,013
Other changes in assets and liabilities:			
Decrease (increase) in accounts receivable		5,300,312	(2,213,472)
(Increase) decrease in prepaid expenses		(459,513)	643,756
Increase (decrease) in accounts payable		348,770	(160,930)
Decrease in unearned income		(1,479,029)	(3,463,413)
Decrease in accrued salaries and vacation payable		(46,298)	(45,038)
(Decrease) increase in pension liability		(2,019,264)	303,264
(Decrease) increase in OPEB liability		(19,000)	288,000
Decrease in admissions taxes payable		(61,041)	(68,803)
Net cash used in operating activities	$	(36,357,165)	(8,091,726)
Supplemental disclosures of noncash activities:			
Donated supplies and team travel costs	$	5,100,000	6,261,063
Donated advertising		—	2,748,685
Pac-12 Management Fee and interest		15,769	165,876
Internal Lending Program deferred interest payable		10,028,754	—

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The University of Washington Department of Intercollegiate Athletics (the Department or ICA) is an auxiliary enterprise within the University of Washington (the University). The records of the Department are maintained as part of the general records of the University.

The novel coronavirus (COVID-19) was identified in China in December 2019 and was identified in Washington State in January 2020. It has spread globally, creating a pandemic that has significantly impacted the economic conditions at a local, national, and international level. On February 29, 2020, the Governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address coronavirus in Washington. In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The Federal Government and the state of Washington have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, and limitations on public gatherings. The NCAA Board of Governors canceled all remaining 2020 winter and spring competition and championships on March 12, 2020. In August 2020, the Pac-12 Conference canceled all sport competition until January 1, 2021. In September 2020, the Pac-12 Conference announced football teams would play a seven game Conference-only season that began on November 6 with a Pac-12 Championship Game on December 18. Additionally, men's and women's basketball teams began their season on the NCAA official start date of November 25. The winter sports and the other fall sports resumed competition in January 2021.

Since ICA's revenues are primarily driven by football, and to a lesser extent men's basketball, the inability to host fans at home competitions severely impacted gate revenues in fiscal year 2021.

(b) Basis of Presentation

The financial statements of the Department have been prepared in accordance with the Governmental Accounting Standards Board (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 Department is reporting as a special purpose government engaged in business-type activities (BTA). In accordance with BTA reporting, the Department presents a 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 present only the University of Washington ICA and do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2021 and 2020, the changes in its financial position, or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP). The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The Department reports capital assets net of accumulated depreciation (as applicable) and reports depreciation expense in the Statements of Revenues, Expenses, and Changes in Net Position.

(c) Capital Assets

Expenditures for repairs for routine maintenance are expensed as incurred. Capital expenditures for facilities and equipment funded by the Department are reflected as capital assets on the Department's Statements of Net Position. Buildings, furniture, fixtures, and equipment 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 is 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, and 5 to 7 years for furniture, fixtures, and equipment.

(d) Advances to University for Capital Projects

Advances to the University for capital projects represent the difference between the cash paid and the expenditures incurred by the University for various capital projects that are in process at year-end, which ICA expects to expense or capitalize in the next fiscal year.

(e) Unearned Income

Funds received from the sale of tickets for games to be played subsequent to June 30, 2021 and 2020 are unearned. The Department's receipts are recognized as income in the period in which the games are played. At June 30, 2021 and 2020, unearned income consists of the following:

	2021	2020
Advance sales of football tickets	$ 19,284,603	20,703,159
Advance sales for men's and women's basketball	3,810	1,588
Other unearned income	410,955	473,650
	$ 19,699,368	21,178,397

(f) Operating Activities

The Department defines operating activities, as reported on the Statements of Revenues, Expenses and Changes in Net Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Certain other revenues used for operations, such as contributions, University funded tuition waivers and investment income, are recorded as nonoperating revenues.

(g) Contributions

Contributions are recorded as income when all conditions and eligibility criteria have been met.

(h) Sponsorships

Sponsorships revenue for donated advertising and supplies is recognized as an exchange transaction and is recorded in income when the related advertising or supplies are received.

The Department recorded $5.1 million and $9.0 million in sponsorship revenue for these transactions in the years ended June 30, 2021 and 2020, respectively.

(i) Income Taxes

As a part of the University, the Department is exempt from federal income taxes, except to the extent of unrelated business taxable income. Unrelated business tax was not significant to the financial statements taken as a whole at June 30, 2021 and 2020.

(j) Use of Estimates

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

ICA's share of pension and other post-employment benefit plan assets, liabilities, deferrals and expenses, are based on actuarial valuations prepared by an external actuary. The results of an actuarial valuation are estimates based on historical data, actuarial assumptions, and the demographics of the employee and retiree populations.

(k) Pension and Other Post Retirement Benefits

Cost-Sharing Pension Plans. The net pension asset or liability is measured as the University's proportionate share of the collective total pension liability, less the fiduciary net position, of the cost-sharing pension plans in which the University participates. The total pension liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits. The University's proportionate share is determined based on the relationship of University contributions to total contributions to the plan by all participating employers. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years. Contributions made to the plan subsequent to the measurement date and prior to the University's fiscal year-end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the net pension asset or liability is June 30 of the prior fiscal year. The ICA reports its proportionate share of the related pension amounts in the accompany financial statements.

Single Employer Pension Plan (UW Supplemental Retirement Plan). The total pension liability is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used for the total pension liability as of June 30, 2021, reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. The discount rate used for the total pension liability as of June 30, 2020, is the yield or index rate for 20-year tax-exempt

(Continued)

general obligation municipal bonds with average credit rating AA/Aa or higher rating. The UWSRP liability as of June 30, 2021, represents the total pension liability. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years (fiscal year 2021 only). The measurement date for the UW Supplemental Retirement Plan total pension liability is June 30 of the current fiscal year. The ICA reports its proportionate share of the related pension amounts in the accompany financial statements.

On July 1, 2020, the state of Washington established a qualifying trust for amounts paid by the University for the benefit of the UWSRP in accordance with RCW 41.40.075. As a result, the guidance governing the accounting for the UWSRP has changed from GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68* (GASB 73) to GASB Statement No. 68, *Accounting and Financial Reporting for Pension* (GASB 68). This event gives rise to a change in the Department's estimates of future obligations, deferrals, and pension expense related to the UWSRP. Specifically, $769 thousand of contributions paid in prior years and recognized as expense have been reported as capital contributions and other transfers on the statements of revenues, expenses, and changes in net position for the year ended June 30, 2021. In addition, the Department will now report its proportionate share of the plan's net pension liability (total pension liability less the plan's fiduciary net position), related deferrals, and pension expense in accordance with GASB 68. Prior to this change in estimate, the Department reported the plan's total pension liability.

Other Post-Employment Benefits (OPEB). The total OPEB liability is measured as the University's proportionate share of the state of Washington total OPEB liability, with proportionate share determined based on the relationship of the University's healthcare-eligible headcount to the total healthcare-eligible headcount for the state. The total OPEB liability is determined by discounting projected benefit subsidies for current employees and retirees based on the discount rate required by GASB Statement No. 75 for OPEB plans, which do not have assets residing in a qualified trust. OPEB expense is recognized for subsidies earned during the period, interest on the total OPEB liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for healthcare-eligible employees. Contributions made to the plan subsequent to the measurement date and prior to the University's fiscal year-end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the total OPEB liability is June 30 of the prior fiscal year. The ICA reports its proportionate share of the related OPEB amounts in the accompany financial statements.

(2) Cash in the University of Washington Invested Funds Pool

The Department's cash and investments are managed by the University through the Treasurer of the Board of Regents.

Pooled Investments held on behalf of ICA by the University are recorded at ICA's share of the carrying value of the University of Washington Cash and Liquidity Pools which totaled $26,333,099 and $25,275,824 as of June 30, 2021 and 2020, respectively. These funds are available to the ICA on demand without prior notice or penalty. The Cash and Liquidity Pools were invested as follows at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	4.9 %	5.7 %
Treasuries and agencies	68.6	75.8
Mortgage related securities	6.2	7.1
Asset-backed debt securities	14.5	7.9
Other	5.8	3.5
Total	100.0 %	100.0 %

Financial instruments that subject ICA to concentrations of credit risk consist of pooled investments held on behalf of ICA at the University.

(3) Investments

The Department purchases or sells units in the University's Consolidated Endowment Fund (CEF) 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 by the University based on the number of units held. The Department records its permanent endowments at fair value. Net appreciation/depreciation in the fair value is recorded as gain or loss on investments in the Statements of Revenue, Expenses, and Changes in Net Assets. For the investment portion of the CEF funds, the principal balance can be withdrawn at the end of each quarter. The Department earned investment income on these investment funds based on the performance of the University's CEF funds net of investment management and University administrative fees. The total return on the investments portion of the CEF funds for the years ended June 30, 2021 and 2020 was approximately 35.1% and 1.1%, respectively.

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units starting with a 4.9% spending rate in fiscal year 2020. Quarterly distributions to programs are based on an annual percentage rate of 3.92%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for administrative fees of 0.98% supporting campus -wide fundraising and stewardship activities (0.784%) and offsetting the internal cost of managing endowment assets (0.196%). The reduction to 4.5% will be in full effect for fiscal year 2022 and beyond. Department's endowments represent 2.94% and 2.90% of the CEF balance as of June 30, 2021 and 2020, respectively.

At June 30, 2021 and 2020, the fund balance of the Endowment and Expendable Endowment funds stated at fair value comprised the following:

		2021	2020
Expendable endowments:			
Graham*	$	576,100	443,766
Spence*		847,423	652,765
Endowments (including expendable gains)		118,059,539	87,876,093
Total	$	119,483,062	88,972,624

* Expenditure of principal is permitted under certain circumstances.

The Department received $3,060,376 and $4,498,908 in endowment gifts in 2021 and 2020, respectively, which are invested in the CEF. The CEF is not rated.

(a) Fair Value of Financial Instruments

(i) Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department has the ability to access at the measurement date. As of June 30, 2021 and 2020, the Department did not carry any Level 1 assets or liabilities.

Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. At June 30, 2021 and 2020, the Department did not carry any Level 2 assets or liabilities.

Level 3 – Inputs are unobservable inputs for the asset or liability. As of June 30, 2021 and 2020, the Department did not carry any Level 3 assets or liabilities.

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

Valuation techniques utilized in the fair value measurement of assets and liabilities presented on the Department’s Statements of Financial Position were not changed from previous practice during the reporting period.

(ii) Financial Assets Measured at Fair Value on a Recurring Basis

The following table presents information about the Department's financial assets that are measured at fair value on a recurring basis using net asset value per share as a practical expedient at June 30, 2021 and 2020.

	June 30 2021	June 30 2020
Assets:		
Investments measured at net asset value:		
Pooled investments in the CEF	$ 18,506,253	14,255,257
Endowment and expendable endowment fund investments in the CEF	119,483,062	88,972,624
Total	$ 137,989,315	103,227,881

The Department participates in pooled investments in the CEF and has the ability to redeem its investment at net asset value at June 30, 2021 and 2020.

(4) Capital Assets

Capitalized asset activity for the years ended June 30, 2021 and 2020 is summarized as follows:

	Balance at June 30, 2020	Additions/ (transfers)	Retirements	Balance at June 30, 2021
Buildings	$ 456,774,967	—	—	456,774,967
Furniture, fixtures, and equipment	15,560,732	247,161	(210,387)	15,597,506
Construction in progress*	1,003,376	3,701,134	—	4,704,510
Total	473,339,075	3,948,295	(210,387)	477,076,983
Less accumulated depreciation:				
Buildings	166,125,284	14,901,951	—	181,027,235
Furniture, fixtures, and equipment	13,840,705	536,341	(210,387)	14,166,659
Total accumulated depreciation	179,965,989	15,438,292	(210,387)	195,193,894
Capital assets, net	$ 293,373,086	(11,489,997)	—	281,883,089

* Nondepreciable

	Balance at June 30, 2019	Additions/ (transfers)	Retirements	Balance at June 30, 2020
Buildings	$ 456,722,304	52,663	—	456,774,967
Furniture, fixtures, and equipment	15,141,682	825,938	(406,888)	15,560,732
Construction in progress*	244,016	759,360	—	1,003,376
Total	472,108,002	1,637,961	(406,888)	473,339,075
Less accumulated depreciation:				
Buildings	151,038,849	15,086,435	—	166,125,284
Furniture, fixtures, and equipment	13,242,439	998,578	(400,312)	13,840,705
Total accumulated depreciation	164,281,288	16,085,013	(400,312)	179,965,989
Capital assets, net	$ 307,826,714	(14,447,052)	(6,576)	293,373,086

* Nondepreciable

(5) Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2021 and 2020 is summarized as follows:

	Balance as of June 30, 2020	Additions	Reductions	Balance as of June 30, 2021	Current portion as of June 30, 2021
Internal lending program payable	$ 237,480,050	10,028,754	—	247,508,804	2,884,004
Capitalized equipment lease payable	2,888,766	—	(940,576)	1,948,190	962,748
Pac-12 management fee	7,300,000	—	—	7,300,000	—
	$ 247,668,816	10,028,754	(940,576)	256,756,994	3,846,752

	Balance as of June 30, 2019	Additions	Reductions	Balance as of June 30, 2020	Current portion as of June 30, 2020
Internal lending program payable	$ 240,510,584	—	(3,030,534)	237,480,050	3,318,627
Capitalized equipment lease payable	3,807,684	—	(918,918)	2,888,766	940,576
Pac-12 management fee	7,300,000	—	—	7,300,000	—
	$ 251,618,268	—	(3,949,452)	247,668,816	4,259,203

(Continued)

(6) Internal Lending Program

In February 2012, ICA began drawing money from the Internal Lending Program (ILP) for the costs related to renovating Husky Stadium. The Board of Regents at their November 18, 2010 meeting approved ICA to use the ILP for up to $250 million in project and capitalized interest costs for the renovation of Husky Stadium. On November 11, 2011, the Board of Regents approved to increase ICA's use of the ILP to $261.5 million for the costs of renovating Husky Stadium and adding a Sports Medicine and Sport Performance Center. Any amounts drawn from the ILP greater than $261.5 million will be funded by the Department. In fiscal year 2021, the Board of Regents approved the loan repayment deferral of the department's ILP loan for Husky Stadium and Husky Ballpark for 2021. This payment deferral added $10.0 million to the principal balance of the department's ILP loan. At the end of June 2021, ICA has a remaining principal balance of $247.5 million payable to the ILP relating to the construction and payment deferral of the Husky Stadium renovation and Husky Ballpark.

The purpose of the ILP is to lower the University's overall cost of capital and provide internal borrowing units with a stable and predictable borrowing rate. The ILP will make loans to internal borrowers at a uniform internal lending rate. These loans will be funded through the issuance of University General Revenue bonds and notes. ILP program policies include a provision for a rate stabilization reserve and a provision for rate adjustments if necessary.

Under the terms of the ILP, rate adjustments will apply to all outstanding debt obligations, including debt issued prior to the ILP implementation. The ILP lending rate will be reviewed annually, and a preliminary indication of a rate adjustment will be announced to ILP participants 12 months in advance of the effective date. The interest rate is 4.25%. Final rate adjustments require approval by the Board of Regents.

Future principal and interest payments due through maturity dates are as follows:

	Principal	Interest
Year(s) ending June 30:		
2022	$ 2,884,004	10,463,376
2023	3,008,990	10,338,390
2024	4,156,997	10,188,317
2025	7,113,437	9,954,565
2026	7,425,297	9,646,148
2027–2031	42,241,555	43,115,669
2032–2036	52,223,316	33,133,906
2037–2041	64,563,785	20,793,438
2042–2046	63,891,423	5,816,974
	$ 247,508,804	153,450,783

(Continued)

ILP activity for the years ended June 30, 2021 and 2020 is summarized as follows:

Balance as of June 30, 2019	$	240,510,584
Additions		—
Reductions		(3,030,534)
Balance as of June 30, 2020		237,480,050
Additions		10,028,754
Reductions		—
Balance as of June 30, 2021	$	247,508,804

(7) Capital Lease

Future minimum lease payments under capital lease and the present value of the net minimum lease payments as of June 30, 2021 are as follows:

		Future payments
Years ending June 30:		
2022	$	997,934
2023		997,934
2024		—
2025		—
Total minimum lease payments		1,995,868
Less amount representing interest cost		47,678
Present value of minimum payments	$	1,948,190

Equipment under capital lease is as follows:

		Balance at June 30, 2020	Additions	Retirements	Balance at June 30, 2021
Equipment	$	7,575,875	—	(4,355)	7,571,520
Less accumulated depreciation:					
Equipment		7,575,875	—	(4,355)	7,571,520
Leased capital assets, net	$	—	—	—	—

(Continued)

		Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020
Equipment	$	7,598,343	—	(22,468)	7,575,875
Less accumulated depreciation:					
Equipment		7,597,721	622	(22,468)	7,575,875
Leased capital assets, net	$	622	(622)	—	—

(8) Related-Party Transactions

The University provides support to the Department by performing the following services:

- Providing use of University buildings and equipment
- Serving as the depository, purchasing, and disbursing agent
- Providing certain administrative and accounting services

In addition, the Department purchases operating and other services from the University and is allocated institutional overhead from the University for services provided and payment for utility costs. The institutional overhead allocated from the University for fiscal year 2021 and 2020 was $0 and $2,909,592, respectively.

The Department is covered by the University's self-insurance program and is responsible for the first $100,000 of costs in general, automobile, and employment practices liability claims. Payments over $100,000 are covered by the University's self-insurance program and excess carriers, except that in claims related to coaches' contracts or the acts of trainers and non-University physicians to the athletes' medical services program, all costs are the exclusive responsibility of the Department.

(9) Pension Plans

(a) Pension Plans

The University offers several contributory pension plans administered by the Washington State Department of Retirement Systems (DRS). ICA has employees in the Public Employees' Retirement System plan, which is a defined-benefit retirement plan. The University of Washington Retirement Plan (UWRP), a defined-contribution plan, is administered by the University. The University of Washington Supplemental Retirement Plan, a noncontributory defined-benefit pension plan, which operates in tandem with the UWRP, is closed to new participants. ICA has employees in the University of Washington Supplemental Retirement Plan.

(Continued)

(b) Plan Administered by DRS

(i) Public Employees' Retirement System

PERS retirement benefit provisions are contained in chapters 41.34 and 41.40 of the Revised Code of Washington (RCW). PERS is a cost-sharing multiple-employer retirement system comprised of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined-benefit plans, and PERS Plan 3 is a defined-benefit plan with a defined-contribution component. PERS members include higher education employees not participating in other higher education retirement programs.

For accounting purposes, PERS is reported as three separate plans. Plan 1 accounts for the defined benefits of Plan 1 members, Plan 2/3 accounts for the defined benefits of Plan 2 and Plan 3 members, and Plan 3 accounts for the defined-contribution portion of Plan 3 members. The defined-benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund, and all assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Plan 2/3 is considered a single plan for accounting purposes.

(c) Vesting and Benefits Provided

(i) PERS Plan 1

PERS Plan 1 provides retirement, disability and death benefits. This plan is closed to new entrants. All members were vested after the completion of five years of eligible service. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest-paid consecutive service months. The retirement benefit may not exceed 60% of the AFC.

Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Other benefits include an optional Cost-of-Living allowance Adjustment.

(ii) PERS Plan 2/3

PERS Plan 2/3 provides retirement, disability and death benefits. PERS Plan 2 members are vested after completion of five years of eligible service. PERS Plan 3 members are vested in the defined-benefit portion of their plan after 10 years of service, or after five years of service if 12 months are earned after age 44. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2, and 1% of AFC times the member's years of service for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered early retirement. Members are eligible for early retirement with a reduced benefit at age 55 with at least 20 years of service credit. The benefit is reduced by a factor that varies according to age, for each year before age 65.

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits a Cost-of-Living adjustment (based on the Consumer Price Index) capped at 3% annually.

(d) Fiduciary Net Position

The pension plans' fiduciary net positions have been determined on the same basis as they are reported by the pension plans. DRS financial statements have been prepared in conformity with generally accepted accounting principles. The retirement plans are accounted for in pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are earned. Employer contributions are recognized when due, and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of each plan.

Chapter 43.33 A of the RCW authorizes the Washington State Investment Board (WSIB) to have the investment management responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

DRS publishes an annual report for retirement plans, which is available at https://drs.wa.gov/administration/annual-report/.

(e) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on ICA. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on the ICA's financial statements.

The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (OSA). ICA's 2021 proportionate share of the pension liability is based on an OSA valuation performed as of June 30, 2019, with the results rolled forward to the measurement date of June 30, 2020. Likewise, ICA's 2020 proportionate share of the pension liability is based on an OSA valuation performed as of June 30, 2018, with the results rolled forward to the measurement date of June 30, 2019. The following actuarial assumptions have been applied to all prior periods included in the measurement:

	2021	2020
Inflation	2.75% total economic inflation, 3.50% salary inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increase	Expected to grow by promotions and longevity in addition to salary inflation assumption of 3.50%	Expected to grow by promotions and longevity in addition to salary inflation assumption of 3.50%
Investment rate of return	7.40%	7.40%

Mortality rates were based on the Society of Actuaries' Pub H-2010 Mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the 2013-2018 Experience Study Report and 2019 Economic Experience Study. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

The long-term expected rate of return on pension plan investments was determined by the WSIB using a building block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA reviewed the historical experience data, considered the historical conditions that produced past annual returns, and considered the CMAs, and simulated investment returns provided by the WSIB in their selection of the rate.

The long-term expected rate of return of 7.40% as of June 30, 2020 and 2019, approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or damper any short-term changes that are not expected over the entire 50-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for each pension plan, as of the measurement dates, are summarized in the following table:

	June 30, 2021 (measurement date June 30, 2020)		June 30, 2020 (measurement date June 30, 2019)	
	Target allocation	**% Long-term expected real rate of return arithmetic**	**Target allocation**	**% Long-term expected real rate of return arithmetic**
Asset class:				
Fixed income	20.00 %	2.20 %	20.00 %	2.20 %
Tangible assets	7.00	5.10	7.00	5.10
Real estate	18.00	5.80	18.00	5.80
Global equity	32.00	6.30	32.00	6.30
Private equity	23.00	9.30	23.00	9.30

The inflation component used to create the above table was 2.20% for both years, and represents WSIB's most recent long-term estimate of broad economic inflation.

(f) Discount Rate

The discount rate used to measure the total pension liabilities as of June 30, 2021 and 2020 was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1). Based on those assumptions, the fiduciary net position for each pension plan in which ICA participates was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.40% future investment rate of return on pension plan investments was assumed as of June 30, 2020 and 2019. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1, as provided for in Chapter 41.45 of the RCW).

(g) *Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following table presents the ICA's net pension liability calculated using the discount rate of 7.40%, as of June 30, 2020 and 2019, as well as what the net pension liabilities or assets would be if it were calculated using a discount rate that is one-percentage-point lower (6.40%) or one-percentage-point higher (8.40%) than the current rate:

Discount Rate Sensitivity – Net Pension Liability (Asset)

(Dollars in thousands)

		2021			2020		
		1% Decrease	Discount rate at 7.4%	1% Increase	1% Decrease	Discount rate at 7.4%	1% Increase
Plan:							
PERS 1	$	1,934	1,544	1,204	2,241	1,789	1,398
PERS 2/3		4,433	712	(2,352)	4,388	572	(2,559)

(h) *Employer Contribution Rates*

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA, and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The following table presents the contribution rates, states as a percentage of covered payroll as defined by the statute, and required contributions for each DRS plan in which ICA participates for the years ended June 30, 2021 and 2020:

Description		PERS Plan 1	PERS Plan 2/3[i]
		(Dollars in thousands)	
Contributions as June 30, 2021:			
Contribution rate		12.86 %	12.86 %
Contributions made	$	297	482
Contributions as June 30, 2020:			
Contribution rate		12.83 %	12.83 %
Contributions made	$	317	513

i. Plan 2/3 employer rate includes a component to address the Plan 1 unfunded actuarial accrued liability.

(Continued)

(i) ICA Proportionate Share

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by ICA as of June 30, 2021 was June 30, 2020. Employer contributions received and processed by DRS during the fiscal year ended June 30, 2020 have been used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in their June 30, 2020 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension liabilities recorded by ICA as of June 30, 2020 was June 30, 2019, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2019 used as the basis for determining each employer's proportionate share of the collective pension amounts. ICA's proportionate share for each DRS plan is shown in the table below:

	Proportionate share	
	PERS 1	**PERS 2/3**
Plan:		
Year ended June 30, 2021	0.04 %	0.06 %
Year ended June 30, 2020	0.05 %	0.06 %

(j) ICA Aggregated Balances

ICA's aggregated balances of net pension liabilities and net pension asset as of June 30, 2021 and 2020 is presented in the table below:

Plan	**PERS 1**	**PERS 2/3**	**Total**
	(Dollars in thousands)		
2021:			
Net pension liability	$ 1,544	712	2,256
2020:			
Net pension liability	$ 1,789	572	2,361

(k) *Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources*

The tables below summarize ICA's pension expense, deferred outflows of resources and deferred inflows of resources related to the DRS pension plans, together with the related future year impacts to pension expense from amortization of those deferred amounts. Note that deferred outflows of resources related to ICA's contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year, and are not amortized to pension expense.

Description		Proportionate share of pension expense		
		PERS Plan 1	PERS Plan 2/3	Total
			(Dollars in thousands)	
As of June 30, 2021	$	(39)	62	23
As of June 30, 2020		180	100	280

Description		Deferred outflows of resources		
		PERS 1	PERS 2/3	Total
			(Dollars in thousands)	
2021:				
Change in assumptions	$	—	10	10
Difference between expected and actual experience		—	255	255
Change in University's proportionate share		—	(34)	(34)
ICA contributions subsequent to the measurement date of the collective net pension liability[a]		297	482	779
Total	$	297	713	1,010
2020:				
Change in assumptions	$	—	15	15
Difference between expected and actual experience		—	164	164
ICA contributions subsequent to the measurement date of the collective net pension liability[a]		317	513	830
Total	$	317	692	1,009

[a] Amounts will be recognized as a reduction of the net position liability as of June 30, 2022 and June 30, 2021.

Description		Deferred inflows of resources		
		PERS 1	PERS 2/3	Total
		(Dollars in thousands)		
2021:				
Difference between expected and actual earnings on plan investments, net	$	9	36	45
Change in assumptions		—	487	487
Difference between expected and actual experience		—	89	89
Total	$	9	612	621
2020:				
Difference between expected and actual earnings on plan investments, net	$	120	833	953
Change in assumptions		—	240	240
Difference between expected and actual experience		—	123	123
Change in University's proportionate share		—	(44)	(44)
Total	$	120	1,152	1,272

Amounts reported as deferred outflows of resources, as of June 30, 2021, exclusive of contributions made after the measurement date, and deferred inflows of resources will be recognized in pension expense as follows:

Year		Amortization of deferred inflows and deferred outflows of resources[a]		
		PERS Plan 1	PERS Plan 2/3	Total
		(Dollars in thousands)		
2022	$	(39)	(300)	(339)
2023		(1)	(75)	(76)
2024		12	8	20
2025		19	57	76
2026		—	(26)	(26)
Thereafter		—	(45)	(45)
Total	$	(9)	(381)	(390)

(a) Negative amounts shown in the table above represent a reduction to expense.

(l) University of Washington Retirement Plan (403b)

(i) 403(b) Plan Description

UWRP, a single-employer 403(b) defined-contribution plan, is administered by the University. Faculty, librarians, and professional staff are eligible to participate in the UWRP.

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.

(ii) 403(b) Funding Policy

Employee contribution rates, based on age, are 5.0%, 7.5%, or 10.0% of salary. The University matches 100% employee contributions. Within parameters established by the legislature, contribution requirements may be established or amended by the University of Washington Board of Regents.

(m) University of Washington Supplemental Retirement Plan

The University of Washington Supplemental Retirement Plan (UWSRP), a single-employer 401(a) defined-benefit retirement plan administered by the University, operates in tandem with the 403(b) plan to supplement the expected defined-contribution retirement savings accumulated under the UWRP. For purposes of measuring the June 30, 2021 net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the UWSRP and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported in the state of Washington's Annual Comprehensive Financial Report, which is available at https://ofm.wa.gov/accounting/financial -audit-report/annual-comprehensive-financial-report.

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. The Department has staff participating in this plan.

Number of participants:

	June 30	
	2021	**2020**
Active employees	59	77
Inactive employees receiving benefits	12	11
Inactive employees entitled to, but not receiving, benefits	2	2

(i) *Vesting and Benefits Provided*

UWSRP retirement benefit provisions are contained in RCW 28B.10.400, et. seq., which assigns the authority to establish and amend benefit provisions to the University of Washington Board of Regents. Members are eligible for calculation of a possible retirement benefit under this plan when they have reached age 62 and have 10 years of service with the University. Upon retirement, a calculation is performed with compares “goal income” to “assumed income” to determine if benefits have been earned under the plan.

Goal income is the product of a service factor multiplied by average monthly compensation, and then by eligible years of participation. Average monthly compensation is defined as the average annual basic salary, not to exceed annual limits established by the Internal Revenue Code, paid to a participant for their highest 24 consecutive months of service.

Assumed income must be calculated by an independent actuary, and represents a theoretical amount of monthly income that would have been generated if actual employee and University contributions to the UWRP had been allocated equally between fixed and variable dollar annuities.

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the fiscal years ended June 30, 2021 and 2020 were $113,000 and $105,000, respectively.

(ii) *Employer Contributions*

Legislation signed into law on July 1, 2020, created an employer contribution rate for the UWSRP. This rate is developed by the OSA in accordance with RCW 41.45, which provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. ICA’s contribution rate for fiscal year ended June 20, 2021 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in fiscal year ended June 30, 2021 were $82 thousand. Prior to fiscal year 2021, employer contributions were not required.

(iii) *Plan Investments*

The WSIB has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

UWSRP plan assets are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in footnote 3.B of the state of Washington’s Annual Comprehensive Financial Report.

 (Continued)

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. For the year ended June 30, 2021, the annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense, was 34.90%. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

(iv) Pension Liability

Assets set aside to pay UWSRP benefits are not held in a qualified trust as defined by GASB. A qualified trust requires that contributions from employers be irrevocable, dedicated to providing pension benefits to plan members, and are legally protected from creditors of the employer and plan administrator. As a result, these assets are not reflected as a reduction of the Total Pension Liability (TPL). As of June 30, 2021, and 2020, ICA has set aside $3,986,741 and $4,348,860, respectively, to pay future UWSRP retiree benefits. These assets are physically segregated in a separate investment account, and included in investments, net of current portion on the Statements of Net Position.

Effective July 1, 2020 legislation signed into law created a trust arrangement for assets dedicated to paying UWSRP benefits to plan members. Contributions paid to and accumulated by DRS, in anticipation of this change, beginning January 1, 2012 were transferred into the trust when this legislation became effective. As a result, ICA is now applying accounting guidance for single employer plans that have trusted assets and reports the pension liability net of plan assets as of June 30, 2021.

The components of the UWSRP liability were as follows:

		As of June 30, 2021	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) minus (b)
		(Dollars in thousands)	
Schedule of changes in net pension liability:			
Beginning balance	$ 9,861	769	9,092
Service cost	265	—	265
Interest on TPL	204	—	204
Difference between expected and actual experience	(4,309)	—	(4,309)
Change in assumptions	(2,582)	—	(2,582)
Employer contributions	—	82	(82)
Investment income	—	257	(257)
Change in proportion	(757)	—	(757)
Benefit payments	(113)	—	(113)
Net changes	(7,292)	339	(7,631)
Ending balance	$ 2,569	1,108	1,461

		June 30, 2020
		(Dollars in thousands)
Schedule of changes in total pension liability:		
Beginning balance	$	7,539
Service cost		211
Interest on TPL		268
Difference between expected and actual experience		396
Change in assumptions		1,599
Change in proportion		(47)
Benefit payments		(105)
Ending balance	$	9,861

The June 30, 2021 TPL is based on an actuarial valuation performed as of June 30, 2020 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2021. The June 30, 2020 TPL is based on an actuarial valuation performed as of June 30, 2018 with update procedures performed to roll forward the TPL to the measurement date of June 30, 2020. Both valuations were prepared using the entry age actuarial cost method.

ICA's share of UWSRP pension expense for the fiscal years ended June 30, 2021 and 2020 was $(300,683) and $879,056, respectively.

(v) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on ICA. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on the ICA's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2021 and the TPL as of June 30, 2020:

	June 30		
	2021		2020
	(Dollars in thousands)		
Significant assumptions used to measure the total pension liability:			
Inflation		2.75 %	2.75 %
Salary changes		4.00 %	4.25 %
Source of mortality assumptions		Pub. H-2010 tables, with the MP-2017 mortality improvement scale	RP-2000 Combined Healthy Table, with generational mortality improvements using Scale BB
Date of experience study		August 2021	April 2016
Discount rate		7.40 %	2.21 %
Change in the discount since prior measurement date		5.19 %	(1.29)%
Source of discount rate		2019 Report on Financial Condition and Economic Experience Study	Bond Buyer's 20 bond index as of June 30, 2020
Long-term expected rate of return		7.40 %	N/A
NPL measurement at discount rate	$	1,461	—
NPL discount rate increased 1%		1,229	—
NPL discount rate decreased 1%		1,731	—
TPL measurement at discount rate		—	9,861
TPL discount rate increased 1%		—	8,562
TPL discount rate decreased 1%		—	11,439

Material assumptions changes during the measurement periods ending June 30, 2021 and 2020 included updating the discount rate from 2.21% to 7.40% and from 3.50% to 2.21%, respectively, as well as updated investment assumptions. Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income," were significantly higher than expected for the measurement periods ending June 30, 2021, but were lower than expected for the period ending June 30,2020 (reflected as "Difference between expected and actual experience" in the Schedule of Changes in the UWSRP Liability).

The long-term expected rate of return on pension plan investments was determined by the WSIB using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's CMAs. WSIB used the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs, and simulated investment returns provided by the WSIB in their selection of the rate.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Fixed income	20.00 %	2.20 %
Tangible assets	7.00	5.10
Real estate	18.00	5.80
Global equity	32.00	6.30
Private equity	23.00	9.30

(vi) Deferred Inflows and Outflows of Resources

The tables below summarize ICA's deferred inflows and outflows of resources related to the UWSRP, together with the related future year impacts to pension expense from amortization of those deferred amounts:

		2021	2020
		(Dollars in thousands)	
Deferred inflows of resources:			
Difference between expected and actual experience	$	4,221	738
Change in assumptions		2,440	314
Net difference between projected and actual earnings plan investments		162	—
Change in proportion		525	38
Total	$	7,348	1,090
Deferred outflows of resources:			
Difference between expected and actual experience	$	1,007	1,315
Change in assumptions		1,490	1,933
Change in proportion		497	624
Total	$	2,994	3,872

		UWSRP (Dollars in thousands)
Amortization of deferred inflows of resources (a):		
Year:		
2022	$	(714)
2023		(714)
2024		(714)
2025		(616)
2026		(532)
Thereafter		(1,064)
Total	$	(4,354)

(a) Negative amounts shown in the table above represent a reduction of expense.

(10) Other Post-Employment Benefits (OPEB)

(a) Plan Description

OPEB are benefits provided to retired employees (and their spouses) beyond those provided by their pension plans. These programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine terms and conditions of employee and retired employee participation and coverage. Benefits provided by this single-employer defined-benefit OPEB plan include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. Retirees have access to all of these benefits; however, medical, prescription drug and vision insurance comprise the bulk of the monetary assistance, or subsidies, provided by PEBB OPEB.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in the valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The HCA has two claim pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. For retirees, participating employers provide two different subsidies: an implicit subsidy and an explicit subsidy.

The implicit subsidy, set up under RCW 41.05.022, is not a direct payment from the employer on behalf of the retiree. Retirees who are not yet eligible for Medicare benefits may currently continue to participate in the state's non-Medicare community-rated health insurance risk pool. Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums. Therefore, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. This results in an implicit subsidy since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

The explicit subsidy, permitted under RCW 41.05.085, is a set dollar amount which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The subsidy was $183 per member per month for fiscal year 2021. The subsidy increased to $183 per member per month beginning in calendar year 2020. It was set at $168 per member per month for the first half of fiscal year 2020.

The OPEB plan is currently available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire. PEBB member data used in the valuation of the OPEB liability include members enrolled in a PEBB program as well as other active employees who were eligible to enroll but waived coverage.

The table below shows the ICA's PEBB membership data as of June 30, 2021 and 2020:

	2021 (measurement date 2020)	**2020 (measurement date 2019)**
Active employees	273	265
Inactive employees receiving benefits	75	71
Inactive employees entitled to, but not receiving, benefits	13	13

(b) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that OPEB obligations will have on ICA. The professional judgments used by the Washington State Office of the State Actuary (OSA) in determining the assumptions used to value the state of Washington OPEB liability are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on ICA's financial statements. The following table shows the significant assumptions used to measure the total OPEB liability (TOL) as of June 30, 2021 and 2020:

Significant Assumptions Used to Measure the Total OPEB Liability (TOL)

(Dollars in thousands)

	June 30, 2021	June 30, 2020
Inflation	2.75 %	2.75 %
Healthcare cost trend rate	Initial rate ranges from about 2 to 11%, reaching an ultimate rate of approximately 4.30% in 2075.	Trend rate assumptions vary slightly by medical plan. Initial rate is 8.00%, reaching an ultimate rate of approximately 4.50% in 2080.
Salary increase	3.50%, including Service-Based Salary Increases	3.5%, including Service-Based Salary Increases
Source of mortality assumptions	Society of Actuaries' Pub.H-2010 mortality rates, with application of the long-term MP-2017 generational improvement scale, and updated based on results of the 2013–2018 Demographic Experience Study Report and the 2019 Report on Financial Condition and Economic Experience Study.	RP-2000 Combined Healthy Table and Combined Disabled Table, with future improvements in mortality projected using 100 percent scale BB and updated based on results of the 2007–2012 Experience Study Report
Date of experience study	2013–2018 Experience Study Report	2007–2012 Experience Study Report
Discount rate	2.21 %	3.50 %
Source of discount rate	Bond Buyer General Obligation 20-Bond Municipal Bond Index as of June 30, 2020 (Measurement Date)	Bond Buyer General Obligation 20-Bond Municipal Bond Index as of June 30, 2019 (Measurement Date)
Post-Retirement Participant Percentage	65 %	65 %
TOL measurement at discount rate	$ 12,666	12,271
TOL discount rate increased 1%	10,587	10,261
TOL discount rate decreased 1%	15,335	14,860
TOL measurement at healthcare cost trend rate	12,666	12,271
TOL healthcare cost trend rate increased 1%	15,809	15,420
TOL healthcare cost trend rate decreased 1%	10,321	9,932

Material assumption changes during the measurement period include updating the forecasts of healthcare cost trend rates, as well as the discount rate as of each measurement date, as required by GASB 75. The discount rate used for the beginning TOL was 3.50% and the discount rate used for the ending TOL was 2.21%, resulting in an increase of the TOL.

(c) *Changes in the Total OPEB Liability*

The TOL for the state of Washington as of June 30, 2021 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020. The TOL for the state of Washington as of June 30, 2020 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2018. The measurement dates for the TOL reported at June 30, 2021 and 2020 are the same as the valuation dates. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as ICA. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine ICA's proportionate share of the University's TOL is the relationship of ICA's active, healthcare-eligible employee headcount to the corresponding University total. ICA's proportionate share percentage was 0.747% in 2021 and 0.80% in 2020.

The OPEB plan is funded on a pay-as-you-go basis. Accordingly, contributions from employers to the HCA occur only when benefits become due (after retirement). No qualified trust fund has been established dedicated to these benefits and there are no associated assets. As a result, ICA reports the total OPEB liability.

Schedule of Changes in Total OPEB Liability
(Dollars in thousands)

	June 30	
	2021	**2020**
Beginning balance	$ 12,271	11,070
Service cost	526	497
Interest	440	430
Difference between expected and actual experience	(67)	—
Change in assumptions	285	803
Benefit payments	(209)	(197)
Changes in proportionate share	(132)	(332)
Other	(448)	—
Ending balance	$ 12,666	12,271

(d) OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

The tables below summarize ICA's OPEB expense, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, together with the related future year impacts to pension expense from amortization of those deferred amounts. Note that deferred outflows of resources related to ICA's contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability in the following year, and are not amortized to OPEB expense.

		2021	2020
		(Dollars in thousands)	
Proportionate share of OPEB expense	$	202	500
Deferred outflows of resources:			
Differences between expected and actual experience in the measurement of the total OPEB liability		278	328
Changes in assumptions		871	714
University contributions subsequent to the measurement date of the collective total OPEB liability		223	211
Changes in proportion		592	667
Total	$	1,964	1,920
Deferred inflows of resources:			
Differences between expected and actual experience in the measurement of the total OPEB liability	$	60	—
Change in assumptions		2,987	3,558
Change in Proportion		141	—
Total	$	3,188	3,558

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Amortization of Deferred Inflows and Deferred Outflows of Resources (a)

(Dollars in thousands)

		OPEB
Year:		
2022	$	(161)
2023		(161)
2024		(161)
2025		(161)
2026		(161)
Thereafter		(642)
Total	$	(1,447)

(a) Negative amounts shown in the table above represent a reduction of expense.

(11) Commitments and Contingencies

The Department is subject to various claims and lawsuits that are covered by the University's self-insurance fund, subject to a deductible of $100,000 per occurrence.

The Department has entered into employment contracts with certain employees expiring in years 2021 through 2026 that provide for certain salary guarantees and commitments. The annual salary payments will be funded through the Department. At June 30, 2021, the total commitment for all contracts for each the next five years and in the aggregate is as follows:

		Guaranteed amount
Year ending June 30:		
2022	$	23,641,920
2023		15,756,310
2024		11,335,928
2025		6,799,576
2026		1,101,840
Thereafter		532,503
	$	59,168,077

(12) Subsequent Event

The interest rate changed from 4.25% to 4.00% effective July 1, 2021 for the ILP.

Schedule 1

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Required Supplementary Information

June 30, 2021

Unaudited – See accompanying independent auditors' report.

Schedule of Proportionate Share of the Net Pension Liability
(As of measurement date, the prior fiscal year-end)

PERS 1

(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Intercollegiate Athletics' proportion of the net pension liability	0.040 %	0.050 %	0.040 %	0.050 %	0.047 %	0.051 %	0.051 %
Intercollegiate Athletics' proportionate share of the net pension liability	$ 1,544	1,789	1,983	2,166	2,501	2,645	254
Intercollegiate Athletics' covered payroll	6,570	6,043	5,819	5,643	5,429	5,625	5,385
Intercollegiate Athletics' proportionate share of the net pension liability as a percentage of covered payroll	23.50 %	29.61 %	34.09 %	38.38 %	46.01 %	47.02 %	47.30 %
Plan fiduciary net position as a percentage of the total pension liability	68.64 %	67.12 %	63.22 %	61.24 %	57.03 %	59.10 %	61.19 %

Schedule of Contributions
(As of current fiscal year-end)

PERS 1

(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 3	5	7	9	10	12	12
Contributions in relation to the contractually required contribution	3	5	7	9	10	12	12
Contribution deficiency (excess)	—	—	—	—	—	—	—
Intercollegiate Athletics' covered payroll	6,081	6,570	6,043	5,819	5,643	5,429	5,625
Contributions as a percentage of covered payroll	0.05 %	0.08 %	0.11 %	0.15 %	0.17 %	0.22 %	0.22 %

Schedule 1

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Required Supplementary Information

June 30, 2021

Unaudited – See accompanying independent auditors' report.

Schedule of Proportionate Share of the Net Pension Liability

(As of measurement date, the prior fiscal year-end)

PERS 2/3

(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Intercollegiate Athletics' proportion of the net pension liability	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %
Intercollegiate Athletics' proportionate share of the net pension liability	$ 712	572	954	1,999	2,854	2,135	1,215
Intercollegiate Athletics' covered payroll	6,494	6,037	5,795	5,640	5,295	5,302	5,147
Intercollegiate Athletics' proportionate share of the net pension liability as a percentage of covered payroll	10.97 %	9.48 %	16.46 %	35.44 %	53.90 %	40.27 %	23.61 %
Plan fiduciary net position as a percentage of the total pension liability	97.22 %	97.70 %	95.77 %	90.97 %	85.82 %	89.20 %	93.29 %

Schedule of Contributions
(As of current fiscal year-end)

PERS 2/3

(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 788	835	773	732	631	588	488
Contributions in relation to the contractually required contribution	788	835	773	733	631	593	488
Contribution deficiency (excess)	—	—	—	(1)	—	(5)	—
Intercollegiate Athletics' covered payroll	6,085	6,494	6,037	5,795	5,640	5,295	5,302
Contributions as a percentage of covered payroll	12.95 %	12.86 %	12.80 %	12.64 %	11.18 %	11.10 %	9.21 %

Schedule 1

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Required Supplementary Information

June 30, 2021

Unaudited – See accompanying independent auditors' report.

Schedule of Changes in Net Pension Liability (NPL)

UW Supplemental Retirement Plan

(Dollars in thousands)

		2021
Total pension liability – beginning	$	9,861
Service cost		265
Interest on TPL		204
Difference between expected and actual experience		(4,309)
Change in assumptions		(2,582)
Change in proportion		(757)
Benefit payments		(113)
Net change in total pension liability		(7,292)
Total pension liability – ending (a)	$	2,569
Plan fiduciary net position – beginning	$	769
Employer contributions		82
Net Investment income		257
Benefit payments		—
Administrative expense		—
Other changes		—
Net change in plan fiduciary net position		339
Plan fiduciary net position – ending (b)		1,108
UWSRP Net Pension liability (a) minus (b)	$	1,461
Plan fiduciary net position as a percentage of the total pension liability		43.15 %
Department's UWSRP covered payroll	$	20,041
Net pension liability as a percentage of covered payroll		7.29 %

Schedule 1

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Required Supplementary Information

June 30, 2021

Unaudited – See accompanying independent auditors' report.

Schedule of Contributions
(Amounts determined as of the fiscal year end)

UW Supplemental Retirement Plan
(Dollar amounts in thousands)

		2021
Contractually required contribution	$	76
Contributions in relation to the contractually required contribution		82
Contribution deficiency (excess)	$	(6)
The Department's UWSRP covered payroll	$	20,041
Contributions as a percentage of covered payroll		0.41 %

Schedule 1

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Required Supplementary Information

June 30, 2021

Unaudited – See accompanying independent auditors' report.

Schedule of Changes in Total Pension Liability (TPL)

UW Supplemental Retirement Plan

(Dollars in thousands)

		2020	2019	2018	2017
Total pension liability – beginning	$	7,539	4,952	5,112	5,503
Service cost		211	150	178	232
Interest on TPL		268	207	194	176
Difference between expected and actual experience		396	1,303	(408)	(873)
Change in assumptions		1,599	739	(205)	(333)
Change in proportion		(47)	283	155	467
Benefit payments		(105)	(95)	(74)	(60)
Net change in total pension liability		2,322	2,587	(160)	(391)
Total pension liability – ending (a)	$	9,861	7,539	4,952	5,112
The Department's UWSRP covered payroll (1)	$	9,392	9,392	9,392	9,392
Total pension liability as percentage of covered payroll		105.00 %	75.44 %	54.30 %	54.80 %

(1) Covered payroll for the fiscal year ending June 30, 2020 and preceding years is based on the payroll of the participants of the UWSRP.

Schedule 1

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Required Supplementary Information

June 30, 2021

Unaudited – See accompanying independent auditors' report.

Schedule of Changes in Total OPEB Liability

(Dollars in thousands)

		2021	2020	2019	2018
Total OPEB liability – beginning	$	12,271	11,070	11,730	12,601
Service cost		526	497	692	795
Interest on TOL		440	430	476	372
Difference between expected and actual experience		(67)	—	434	—
Change in assumptions		285	803	(3,030)	(1,817)
Change in proportionate share		(132)	(332)	969	(31)
Benefit payments		(209)	(197)	(201)	(190)
Other		(448)	—	—	—
Total OPEB liability – ending	$	12,666	12,271	11,070	11,730
OPEB covered payroll	$	21,624	21,689	20,388	18,954
Total OPEB liability as percentage of covered payroll		58.57 %	56.58 %	54.29 %	61.88 %

Plans Administered by DRS

The Office of the State Actuary (OSA) calculates the actuarially determined contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined in Chapter 41.45 RCW. Consistent with the state's contribution-rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2017, valuation date, completed in the fall of 2018, determines the ADC for the period beginning July 1, 2019, and ending June 30, 2021.

Additional Considerations on ADC for All Plans:

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates could be different pending the actions of the governing bodies.

For cost-sharing plans, OSA calculates the contractually required contributions (CRC) using the same assumptions and methods as the ADC, except the CRC reflect the adopted contribution rates for the time period shown, which might differ from the contribution rates produced for the ADC.

Plans Administered by the University

Washington State's House Bill 1661, effective July 1, 2020, created a trust arrangement for the UWSRP and resulted in the transfer of all funds previously contributed by the University into the account dedicated to paying benefits to plan's beneficiaries. This arrangement meets the criteria in GASB code P20, paragraph 101 and resulted in a significant change in the accounting for the plan.

Material assumption changes during the fiscal year 2021 measurement period includes updating the discount rate from 2.21% to 7.40% ("Change in assumption" which decreased the TPL). In addition, CREF investment experience during fiscal year 2021 was significantly higher than expected ("Difference between expected and actual experience" which also decreased the TPL).

In the fiscal year 2020 the UWSRP has no assets accumulated in a trust that meets the criteria in GASB code P20, paragraph 101 to pay related benefits.

Material assumption changes during the fiscal year 2020 measurement period include updating the GASB 73 discount rate from 3.50% to 2.21%, which increased the TPL. Additionally, CREF investment experience during fiscal year 2020 was lower than expected, leading to an increase in the TPL. TIAA investment experience only slightly deviated from OSA's assumption.

OPEB Plan administered by the Healthcare Authority of Washington State

The OPEB Plan has no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

Material assumption changes in fiscal year 2021 measurement period relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.50% for the June 30, 2019 measurement date, to 2.21% for the June 30, 2020 measurement date. This change resulted in an increase in the TOL.

Material assumption changes in fiscal year 2020 measurement period relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.87% for the June 30, 2018 measurement date, to 3.50% for the June 30, 2019 measurement date. This change resulted in an increase in the TOL.

Schedule 2

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Operating and Other Revenue by Specific Function

Year ended June 30, 2021

	Men's football	Men's basketball	Women's basketball	Other sports Men's	Other sports Women's	Administration and other	Total
Gate ticket sales revenue:							
Ticket sales for home events	$ —	—	—	1,940	23,298	—	25,238
Admission taxes	—	—	—	(95)	(1,109)	—	(1,204)
Ticket-processing fees	—	—	—	—	—	—	—
	—	—	—	1,845	22,189	—	24,034
Seat-related gifts	8,219,587	1,000	—	—	—	—	8,220,587
University's share of gate revenue for away games	—	—	—	—	5,000	—	5,000
Total gate ticket sales revenue	8,219,587	1,000	—	1,845	27,189	—	8,249,621
NCAA/conference distributions:							
PAC-12 television share	14,465,867	2,552,800	—	—	—	—	17,018,667
PAC-12 Rose/other bowl shares	3,764,763	—	—	—	—	—	3,764,763
Bowl participation	—	—	—	—	—	—	—
NCAA MBB tournament	—	1,276,583	—	—	—	—	1,276,583
Football Pac-12 Championship Game	(389,333)	—	—	—	—	—	(389,333)
MBB PAC-12 tournament	—	—	—	—	—	—	—
Pac-12 Network share	(252,592)	(44,575)	—	—	—	—	(297,167)
Other	—	—	—	—	—	1,998,648	1,998,648
Total NCAA/conference distributions	17,588,705	3,784,808	—	—	—	1,998,648	23,372,161
Royalties, advertisements, and sponsorships:							
Sponsorships	—	—	—	25,000	15,000	9,594,970	9,634,970
Donated advertising	—	—	—	—	—	—	—
Trademarks and licensing	—	—	—	—	—	597,107	597,107
Donated supplies	1,657,000	315,000	263,000	911,850	1,125,150	828,000	5,100,000
Total royalties, advertisements, and sponsorships	1,657,000	315,000	263,000	936,850	1,140,150	11,020,077	15,332,077
Contributions	—	—	—	90,868	—	24,419,540	24,510,408
Capital gifts	—	—	—	—	—	6,205,670	6,205,670
Gifts to permanent endowments	—	—	—	—	—	3,060,376	3,060,376
Gain on investments	—	—	—	—	—	30,999,863	30,999,863
Investment income, net	—	—	—	—	—	3,896,581	3,896,581
University funded tuition waivers	—	—	—	—	—	4,500,799	4,500,799
Concessions, souvenirs, parking, and boat moorage	4,361	—	—	—	1,285	213,105	218,751
Facility income	—	—	—	—	—	1,236,117	1,236,117
Higher Education Emergency Relief Fund (HEERF II)	—	—	—	—	—	2,000,000	2,000,000
Capital grant, gifts, and other	—	—	—	—	—	768,880	768,880
Other	11,326	—	—	8,100	9,900	85,975	115,301
Total revenue	$ 27,480,979	4,100,808	263,000	1,037,663	1,178,524	90,405,631	124,466,605

See accompanying independent auditors' report.

Schedule 2

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Operating and Other Revenue by Specific Function

Year ended June 30, 2020

	Men's football	Men's basketball	Women's basketball	Other sports Men's	Other sports Women's	Administration and other	Total
Gate ticket sales revenue:							
Ticket sales for home events	$ 31,053,674	3,129,843	289,042	86,176	572,599	—	35,131,334
Admission taxes	(1,478,496)	(149,118)	(13,745)	(4,487)	(26,928)	—	(1,672,774)
Ticket-processing fees	886,087	133,433	3,135	298	39,175	—	1,062,128
	30,461,265	3,114,158	278,432	81,987	584,846	—	34,520,688
Seat-related gifts	7,877,600	1,425,387	28,300	—	—	—	9,331,287
University's share of gate revenue for away games	250,000	—	—	3,000	5,000	—	258,000
Total gate ticket sales revenue	38,588,865	4,539,545	306,732	84,987	589,846	—	44,109,975
NCAA/conference distributions:							
PAC-12 television share	18,805,740	3,286,098	—	—	—	—	22,091,838
PAC-12 Rose/other bowl shares	7,771,584	—	—	—	—	—	7,771,584
Bowl participation	1,500,000	—	—	—	—	—	1,500,000
NCAA MBB tournament	—	1,390,355	—	—	—	—	1,390,355
Football Pac-12 Championship Game	93,978	—	—	—	—	—	93,978
MBB PAC-12 tournament	—	(45,600)	—	—	—	—	(45,600)
Pac-12 Network share	2,485,484	438,615	—	—	—	—	2,924,099
Other	—	—	—	—	—	805,654	805,654
Total NCAA/conference distributions	30,656,786	5,069,468	—	—	—	805,654	36,531,908
Royalties, advertisements, and sponsorships:							
Sponsorships	—	—	—	27,589	20,449	16,631,769	16,679,807
Donated advertising	—	—	—	—	—	2,748,685	2,748,685
Trademarks and licensing	—	—	—	—	—	898,271	898,271
Donated supplies	2,050,000	390,000	325,000	1,145,130	1,374,870	965,000	6,250,000
Total royalties, advertisements, and sponsorships	2,050,000	390,000	325,000	1,172,719	1,395,319	21,243,725	26,576,763
Contributions	8,835,264	187,665	86,327	844,079	658,538	4,539,741	15,151,614
Capital gifts	—	—	—	—	—	7,811,383	7,811,383
Gifts to permanent endowments	—	—	—	—	—	4,498,908	4,498,908
Loss on investments	—	—	—	—	—	(3,771,978)	(3,771,978)
Investment income, net	—	—	—	—	—	3,847,067	3,847,067
University funded tuition waivers	—	—	—	—	—	4,360,001	4,360,001
Concessions, souvenirs, parking, and boat moorage	3,327,767	265,785	37,309	5,394	26,011	642,239	4,304,505
Facility income	—	—	—	—	—	2,096,445	2,096,445
Other	—	—	—	121,387	137,102	337,173	595,662
Total revenue	$ 83,458,682	10,452,463	755,368	2,228,566	2,806,816	46,410,358	146,112,253

See accompanying independent auditors' report.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Operating Expenses and Other Deductions by Specific Function

Year ended June 30, 2021

	Men's football	Men's basketball	Women's basketball	Other sports Men's	Other sports Women's	Postseason activity	Administration	Facilities maintenance and event management	Department relations and visiting recruits	Total
Operating expenses:										
Salaries and wages	$ 9,127,255	4,156,157	2,318,353	2,924,214	3,600,806	—	11,220,114	1,780,621	—	35,127,520
Payroll taxes and employee benefits	2,052,784	830,198	270,509	786,637	955,057	—	1,658,895	636,702	—	7,190,782
Athletic student aid	4,401,713	572,601	672,595	3,233,117	5,651,002	—	1,051,020	—	—	15,582,048
Guarantees paid to visiting teams	—	225,000	47,000	45,000	3,000	—	—	—	—	320,000
Team travel	245,654	592,150	319,033	675,603	1,041,723	455,225	4,832	2,644	12,456	3,349,320
Day of game expenses	505,878	189,078	104,764	173,845	208,599	—	289,040	304,445	278,595	2,054,244
Direct facilities, maintenance, and utilities	17,154	—	—	19,217	21,832	—	2,962,930	1,101,246	—	4,122,379
Uniforms and supplies	579,315	55,786	65,650	212,160	185,031	—	461,003	242,562	—	1,801,507
Donated supplies	1,657,000	315,000	263,000	911,850	1,125,150	—	828,000	—	—	5,100,000
Medical expenses	13,385	675	3,620	26,046	31,833	—	1,810,733	—	25	1,886,317
Fund-raising, marketing, and promotions	—	—	—	—	—	—	30,930	—	—	30,930
Recruiting	—	—	—	—	—	—	—	—	142,372	142,372
Training table	1,521,705	183,967	18,559	109,802	161,648	—	221,439	—	714,791	2,931,911
Department relations	9,465	—	—	—	—	—	2,124	—	257,797	269,386
Banquets and special events	—	—	—	—	—	—	23,652	—	10,831	34,483
Depreciation	—	—	—	—	—	—	15,438,292	—	—	15,438,292
Noncapitalized equipment and repairs	—	—	—	—	—	—	—	295,534	—	295,534
Other	500,845	106,304	80,531	120,315	165,045	5,149	4,066,182	19,785	1,143,241	6,207,397
Total operating expenses	20,632,153	7,226,916	4,163,614	9,237,806	13,150,726	460,374	40,069,186	4,383,539	2,560,108	101,884,422
Other deductions:										
Interest expense	—	—	—	—	—	—	10,250,360	—	—	10,250,360
Total other deductions	—	—	—	—	—	—	10,250,360	—	—	10,250,360
Total operating expenses and other deductions	$ 20,632,153	7,226,916	4,163,614	9,237,806	13,150,726	460,374	50,319,546	4,383,539	2,560,108	112,134,782

See accompanying independent auditors' report.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Operating Expenses and Other Deductions by Specific Function

Year ended June 30, 2020

	Men's football	Men's basketball	Women's basketball	Other sports – Men's	Other sports – Women's	Postseason activity	Administration	Facilities maintenance and event management	Department relations and visiting recruits	Total
Operating expenses:										
Salaries and wages	$ 12,289,937	4,252,385	1,286,417	2,803,541	3,520,926	169,126	12,751,445	2,145,633	—	39,219,410
Payroll taxes and employee benefits	2,215,739	902,935	380,968	824,189	1,009,572	13,862	3,762,818	762,039	—	9,872,122
Athletic student aid	3,918,068	629,849	685,828	2,973,075	5,275,165	—	1,223,785	—	22,781	14,728,551
Guarantees paid to visiting teams	950,000	572,126	111,450	30,900	10,000	—	—	—	—	1,674,476
Team travel	1,388,746	694,638	291,841	554,173	1,135,553	1,173,672	131,078	—	59,835	5,429,536
Day of game expenses	2,531,484	496,415	279,219	152,097	263,841	14,327	588,014	581,888	3,715,039	8,622,324
Direct facilities, maintenance, and utilities	184,606	—	—	48,295	44,146	—	3,383,945	1,279,340	—	4,940,332
Donated advertising	—	—	—	—	—	—	2,748,685	—	—	2,748,685
Uniforms and supplies	896,008	83,167	32,403	393,059	342,945	113,590	958,067	271,130	6,722	3,097,091
Donated supplies	2,050,000	390,000	325,000	1,145,130	1,374,870	—	965,000	—	—	6,250,000
Institutional overhead	—	—	—	—	—	—	2,909,592	—	—	2,909,592
Medical expenses	24,665	6,819	4,143	22,416	23,331	—	1,278,400	—	7,299	1,367,073
Fund-raising, marketing, and promotions	—	—	—	—	4,066	—	299,888	—	—	303,954
Recruiting	—	—	—	—	—	—	—	—	622,021	622,021
Equipment	—	—	—	—	—	—	—	7,417	—	7,417
Training table	1,149,669	215,819	27,200	154,191	263,340	41,989	264,480	—	758,321	2,875,009
Department relations	22,967	1,526	1,213	83,750	43,817	51,495	75,096	—	362,877	642,741
Banquets and special events	—	—	—	8,465	12,064	—	106,369	—	127,851	254,749
Depreciation	—	—	—	—	—	—	16,085,013	—	—	16,085,013
Noncapitalized equipment and repairs	—	—	—	—	—	—	—	2,306,699	—	2,306,699
Other	675,406	616,217	148,329	449,482	337,452	9,678	5,438,958	25,823	2,017,221	9,718,566
Total operating expenses	28,297,295	8,861,896	3,574,011	9,642,763	13,661,088	1,587,739	52,970,633	7,379,969	7,699,967	133,675,361
Other deductions:										
Loss on disposal of capital assets	—	—	—	—	—	—	—	6,576	—	6,576
Interest expense	—	—	—	—	—	—	10,907,206	—	—	10,907,206
Total other deductions	—	—	—	—	—	—	10,907,206	6,576	—	10,913,782
Total operating expenses and other deductions	$ 28,297,295	8,861,896	3,574,011	9,642,763	13,661,088	1,587,739	63,877,839	7,386,545	7,699,967	144,589,143

See accompanying independent auditors' report.

KPMG

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Basic Financial Statements

June 30, 2021 and 2020

(With Independent Auditors’ Report Thereon)

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Table of Contents

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Regents
University of Washington:

We have audited the accompanying financial statements of UW Medicine Clinical Enterprise – UW Division (the Group), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements as listed in the table of contents.

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 opinions 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.

Emphasis of Matter

As discussed in note 1, the financial statements of the Group, which are divisions, departments, and component units of the University of Washington (the University), are intended to present the net position, the changes in net position, and the cash flows of only that portion of the business-type activities of the University that are attributable to the transactions of the Group. They do not purport to, and do not, present fairly the net position of the University as of June 30, 2021 or 2020, the changes in its net position, or its cash flows for the years ended, in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

KPMG

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 to 19, and schedules of required supplementary information on pages 78 to 83, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Group's basic financial statements. The combining financial statements included on pages 84 to 87 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Seattle, Washington
October 8, 2021

The following discussion and analysis provides an overview of the financial position and activities of the UW Medicine Clinical Enterprise – UW Division (the Group) for the years ended June 30, 2021 and 2020. This discussion has been prepared by management and is designed to focus on current activities, resulting changes, and current known facts. It should be read in conjunction with the basic financial statements and accompanying notes that follow this section.

The Group consists of divisions, departments, and component units of the University of Washington (the University) and includes: University of Washington Medical Center (UW Medical Center), UW Medicine/Northwest dba Northwest Hospital & Medical Center (Northwest Hospital) through December 31, 2019, UW Physicians Network dba UW Neighborhood Clinics (Neighborhood Clinics), The Association of University Physicians dba UW Physicians (UWP), Airlift Northwest (Airlift), and shared service departments that support the entire UW Medicine enterprise. Effective January 1, 2020, Northwest Hospital was integrated into UW Medical Center as its second campus, and its assets and liabilities were transferred to UW Medical Center. Also part of UW Medicine, but not included in these financial statements, are Harborview Medical Center (Harborview) as operated and managed by the University under the Hospital Services Agreement between King County and the University, Public Hospital District No. 1 of King County, Washington dba Valley Medical Center (VMC), and the University of Washington School of Medicine (the School).

Using the Financial Statements

The financial report consists of two parts: Management discussion and analysis and the basic financial statements. The Group's basic financial statements consist of three statements: Statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. These financial statements and related notes provide information about the activities of the Group, including resources held by the Group but restricted for specific purposes by contributors, grantors, or enabling legislation.

The statements of net position include all of the Group's assets and liabilities using the accrual basis of accounting as well as an indication about which assets can be used for general purposes and which are designated for a specific purpose. The statements of net position also include information to evaluate the capital structure of the Group, and assess the liquidity and financial flexibility of the organization.

The statements of revenues, expenses, and changes in net position report all revenues, expenses, and other activity affecting net position during the time period indicated. Net position, the difference between assets and liabilities, is one way to measure the financial health of the Group and whether the organization has been able to recover all costs through net patient service revenues and other revenue sources.

The statements of cash flows report the cash provided by the Group's operating activities, as well as other cash sources, such as investment income, cash payments for capital additions and improvements, and payments for debt service, interest payments, and funding to and from affiliates. The statements provide meaningful information on where the Group's cash was generated and what it was used for.

(Continued)

Results of Operations

The novel coronavirus (COVID-19) was identified in China in December 2019 and the first case in Washington State was discovered in January 2020. COVID-19 has spread globally creating a pandemic, which has significantly impacted the economic conditions at a local, national, and international level. On February 29, 2020, the governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address coronavirus in Washington and the forecasted potential surge of COVID-19 patients. On March 13, 2020, President Trump declared a national state of emergency with respect to the COVID-19 outbreak, ordering all states to establish emergency operations and authorizing the use of federal funds. Both the national state of emergency and Washington state of emergency continued through fiscal year 2021. COVID-19 cases fluctuated throughout the fiscal year and the Group experienced multiple COVID-19 surges.

In response to the many COVID-19 surges, the Group cancelled or postponed certain inpatient non-emergent and elective procedures in order to preserve inpatient capacity. The cancellation of certain procedures had an impact on volumes and revenues in the fiscal year. At the same time, the Group continues to experience increased costs related to the COVID-19 response, including elevated costs of medical supplies and an increase in labor expense. In fiscal year 2021, UW Medicine launched COVID-19 mass vaccination sites and pop-up vaccination clinics to ensure that our employees, patients, and community had access to vaccines. UW Medicine's pandemic response plan continues to evolve. In fiscal years 2020 and 2021, the Group received governmental funding through the Coronavirus Aid, Relief and Economic Security (CARES) Act of $65,553 and $34,575, respectively, to aid in the recovery of lost revenues and has also received donations to provide care and vaccinations to the community. Additionally, in fiscal year 2021 UW Medical Center was awarded a one-time state appropriation of $35,000 to partially cover lost revenues from the COVID-19 pandemic that were not recovered by other funding.

The Group reported income from operations of $48,266 and an increase in net position of $206,873 for the year ended June 30, 2021 compared to a loss from operations of $88,451 and a decrease in net position of $794 for the year ended June 30, 2020. The increase in net position in fiscal year 2021 is attributed to strong volumes and an increase in contract pharmacy revenues. Additionally, the Group experienced an increase in nonoperating revenues due to equity earnings from Seattle Cancer Care Alliance, state appropriations, and receipt and recognition of provider relief funds. In fiscal year 2021, operating income includes a $52,489 reduction in operating expenses as a result of actuarial and assumption change adjustments related to pension and other postretirement obligations.

The Group reported a loss from operations of $88,451 and a decrease in net position of $794 for the year ended June 30, 2020 compared to operating income of $25,485 and an increase in net position of $44,100 for the year ended June 30, 2019. In fiscal year 2020, the Group experienced a significant decrease in volumes and net patient service revenues attributed to the COVID-19 pandemic, offset by strong contract pharmacy

(Continued)

(Dollar amounts in thousands)

revenues. In fiscal year 2020, the operating loss included a $34,392 reduction in operating expenses as a result of actuarial and assumption change adjustments related to pension and other postretirement obligations.

		2021	2020	2019
Operating revenues:				
Net patient service revenues	$	1,777,389	1,633,543	1,731,198
UWP billing revenues, net		367,001	326,428	299,780
Other revenue		322,126	279,528	250,773
Total operating revenues		2,466,516	2,239,499	2,281,751
Operating expenses:				
Salaries, wages, and benefits		1,231,157	1,221,491	1,194,579
Other postemployment benefits		6,607	12,676	16,384
Other		1,180,486	1,093,783	1,045,303
Total operating expenses		2,418,250	2,327,950	2,256,266
Income (loss) from operations		48,266	(88,451)	25,485
Nonoperating revenues (expenses):				
Investment income, net		2,693	2,413	2,564
Interest expense		(19,520)	(17,937)	(17,207)
Federal stimulus funding		34,575	65,553	—
Other, net		110,713	31,507	22,845
Nonoperating revenues, net		128,461	81,536	8,202
Income (loss) before capital contributions and other transfers		176,727	(6,915)	33,687
Capital contributions and other transfers		30,146	6,121	10,413
Increase (decrease) in net position		206,873	(794)	44,100
Net position, beginning of year, as issued		121,542	122,336	97,015
Change in reporting entity		—	—	(18,779)
Net position, beginning of year, as adjusted		121,542	122,336	78,236
Net position, end of year	$	328,415	121,542	122,336

(Dollar amounts in thousands)

The following chart represents key statistics of the Group for June 30, 2021, 2020, and 2019:

	2021	2020	2019
Licensed beds	810	810	810
Admissions	27,320	26,998	28,715
Patient days	185,389	178,545	188,740
Average length of stay	6.79	6.61	6.57
Case mix index (CMI) – UW Medical Center	2.15	2.19	2.34
Surgery cases	28,626	25,557	28,141
Emergency room visits	55,781	56,895	61,352
Primary and urgent care clinic visits	329,662	383,434	425,071
Specialty care clinic visits	418,389	421,879	478,946
Births	3,314	3,071	2,936
Solid organ transplants	489	400	436
Relative Value Units (RVU) volume	9,113,765	7,627,420	7,413,800
Airlift flights	3,422	3,145	3,746
Full-time equivalents (FTEs)	8,512	8,491	8,994

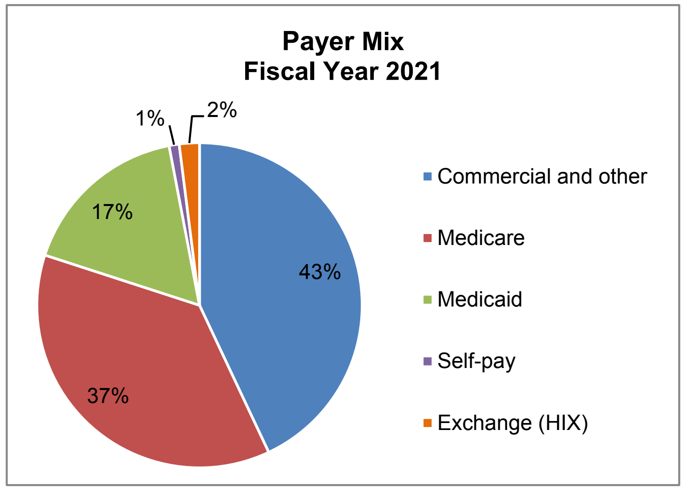
Operating Revenues

Operating revenues consist primarily of net patient service revenues, UWP billing revenues, net, and other revenue. Net patient service revenues are recorded based on standard billing charges less contractual adjustments, financial assistance, and a provision for uncollectible accounts. The Group has agreements with federal and state agencies as well as commercial payers that provide for payments at amounts that differ from gross charges. The Group provides care at no charge to patients who qualify under the Group's financial assistance policy. In addition, the Group estimates the amount of patient responsibility accounts receivable that will become uncollectible, which is reported as a reduction of net patient service revenues. The difference between gross charges and the estimated net realizable amounts from payers and patients is recorded as an adjustment to charges. The resulting net patient service revenues are shown in the statements of revenues, expenses, and changes in net position.

Net patient service revenues include inpatient, outpatient, and flight revenues. Outpatient revenue consists of hospital-based, ambulatory and retail pharmacy revenues. UWP billing revenues are limited to its operating expenses based on the operating agreement between the University and UWP. Other revenue is comprised of revenues from activities such as contract pharmacy, parking, and cafeteria sales.

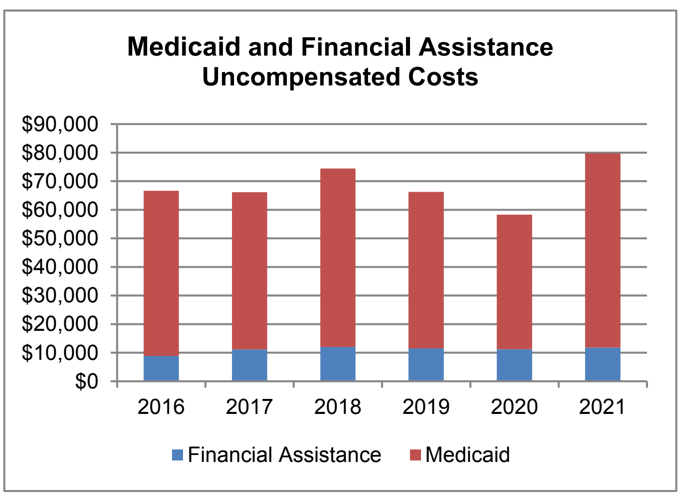
(Continued)

The Group's payer mix is a key factor in the overall financial operating performance. The chart to the right illustrates payer mix for fiscal year 2021 gross patient service revenue. For the years ended June 30, 2021 and 2020, Commercial revenue represented 43% and 44%, respectively; Medicare revenue represented 37% for both years; Medicaid revenue represented 17% and 16%, respectively; Exchange revenue represented 2% for both years; and Self-pay revenue represented 1% for both years.



Uncompensated care costs, as illustrated in the chart below, represent costs in excess of payments for Medicaid and financial assistance patients. This chart represents UW Medical Center and does not include all uncompensated costs such as providing care to Medicare patients. Over the past several years, the cost of providing care to Medicaid patients has increased.

Reimbursement from governmental payers is less than commercial rates. Reimbursement rules are both complex and subject to interpretation and settlements.



For the years ended June 30, 2021, 2020, and 2019 the Group's total operating revenues were $2,466,516, $2,239,499, and $2,281,751, which was comprised of $1,777,389, $1,633,543, and $1,731,198 in net patient service revenues, $367,001, $326,428, and $299,780 in UWP billing revenues, net, and $322,126, $279,528, and $250,773 in other revenues, respectively.

The increase in operating revenues between fiscal years 2020 and 2021 of 10.1% was driven by an 8.8% increase in net patient service revenues due to an increase in volumes. UWP billing revenues, net and other revenues increased 13.7% between fiscal year 2020 and 2021 due to higher contract pharmacy revenue and an increase in professional fee revenue due to having a full fiscal years' worth of activity related to new providers at UW Medical Center's Northwest campus. Both net patient services revenues and UWP billing revenues increased as the mandatory cancellation of non-emergent and elective procedures did not occur in fiscal year 2021.

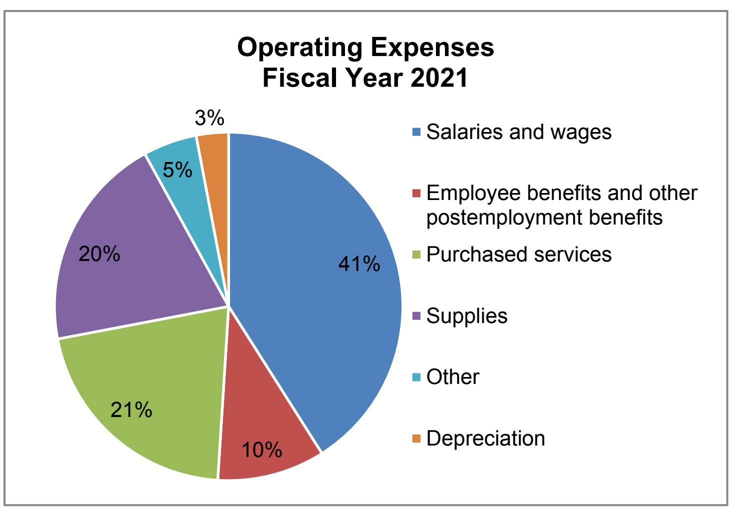
The decrease in operating revenues between fiscal years 2019 and 2020 of 1.9% was driven by a decrease in net patient service revenues due to COVID-19. Net patient service revenues in 2020 decreased 5.6% as a result of the mandatory cancellation of non-emergent and elective procedures because of the initial COVID-19 surge. UWP billing revenues, net and other revenues increased 10.0% between fiscal years 2019 and 2020, which was driven by strong contract pharmacy revenue and an increase in professional fee revenue due to new physicians added for UW Medical Center's Northwest campus and lower distributions to the School.

Operating Expenses

Operating expenses were $2,418,250 for the fiscal year 2021 compared to $2,327,950 for the fiscal year 2020 and $2,256,266 for fiscal year 2019. The composition of fiscal year 2021 operating expenses is illustrated in the chart below.

Salaries and wages expense increased $17,363 from $982,109 in fiscal year 2020 to $999,472 in fiscal year 2021. The increase in salaries and wages expense was primarily attributed to greater FTEs and higher contract labor hourly rates. Contract labor hourly rates increased as a result of demand nationwide associated with COVID-19.

Salaries and wages expense increased $15,740 from $966,369 in fiscal year 2019 to $982,109 in fiscal year 2020. At January 1, 2020, upon integration of Northwest Hospital into UW Medical Center, UWP added new providers for Northwest campus resulting in an increase in salaries and wages expense and an increase in physician incentives for the additional providers. Additionally, despite the decrease in volumes, there was a need to retain historical staffing levels in response to the COVID-19 pandemic.



Employee benefits and other postemployment benefits expense decreased $13,766 from $252,058 in fiscal year 2020 to $238,292 in fiscal year 2021. Between fiscal year 2020 and fiscal year 2021, the University benefit load rate for classified and professional employees decreased because of reduced healthcare expenses and employer pension contributions.

Employee benefits and other postemployment benefits expense increased $7,464 from $244,594 in fiscal year 2019 to $252,058 in fiscal year 2020. Upon integration of Northwest Hospital into UW Medical Center, Northwest Hospital employees became University employees, which led to an increase in benefits expense in fiscal year 2020 as the benefit load rate is higher for UW than previously experienced at Northwest Hospital. Between fiscal year 2019 and fiscal year 2020, the University benefit load rate for professional employees decreased 2.0% from 34.1% to 32.1% due to employer pension contributions and the benefit load rate for classified employees increased 0.7% from 40.5% to 41.2% as a result of greater healthcare expenses.

Purchased services expense, consisting of professional fees, consulting fees, and clinical department funding, increased $32,137 from $477,172 in fiscal year 2020 to $509,309 in fiscal year 2021. The increase in purchased services expense is attributed to UWP having 12 months of expense for certain employees who transitioned employment to the University on January 1, 2020. In addition, the increase in purchased services expense was driven by an increase in consulting fees at UW Medicine IT Services due to Destination: One, the implementation of a single electronic health record system which allows us to improve the experience for our patients as well as to achieve clinical quality, safety and workflow efficiencies through standardization. This was fully implemented in March 2021.

Purchased services expense increased $38,999 from $438,173 in fiscal year 2019 to $477,172 in fiscal year 2020. The increase in purchased services expense was attributed to an increase in the clinical department funding paid to UWP, representing fees paid to physicians providing services to the Group who were not employed by the Group. Additionally, on January 1, 2020, UWP employees transitioned employment to the University, which caused an increase in purchased service expense at UWP as these employees are now providing services to the Group but are not employed by the Group.

Supplies expense includes medical and surgical, pharmaceutical, and nonmedical supplies. In total, these expenses increased $45,519 from $429,466 in fiscal year 2020 to $474,985 in fiscal year 2021. Supplies expense was driven by higher medical supplies and pharmaceutical expense associated with an increase in contract pharmacy and other pharmaceutical costs.

Supplies expense increased $19,574 from $409,892 in fiscal year 2019 to $429,466 in fiscal year 2020. The increase in supplies expense was a result of greater costs for pharmaceutical expense associated with growth in contract pharmacy, and the rising costs of pharmaceuticals overall.

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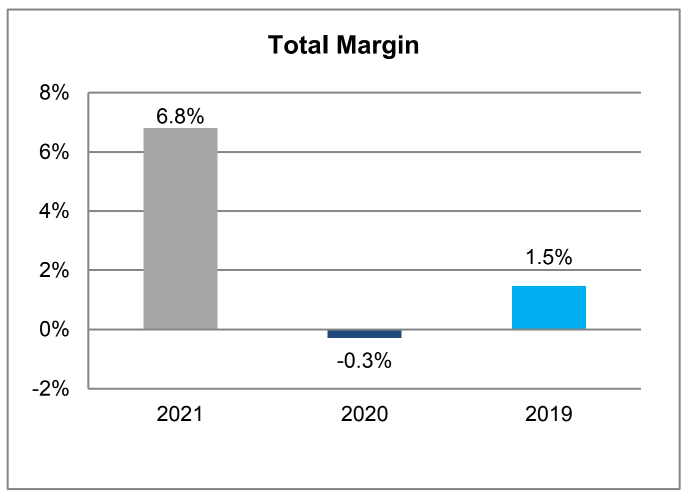
Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) consist primarily of investment income, interest expense, intergovernmental transfer expense, equity earnings from the investment in Seattle Cancer Care Alliance (SCCA), funding from and to other UW Medicine entities as well as the state of Washington, state appropriations, and COVID-19 federal stimulus funding. Net nonoperating revenues increased $46,925 from $81,536 in fiscal year 2020 to $128,461 in fiscal year 2021. Net nonoperating revenues was driven by an increase in state appropriations and equity earnings from SCCA that offset a decrease in federal stimulus funds. In fiscal year 2021, UW Medical Center was awarded a one-time state appropriation of $35,000 to partially cover lost revenues from the COVID-19 pandemic that were not recovered by other funding. Equity earnings from SCCA were $25,775 greater than fiscal year 2020, which also contributed to the increase in net nonoperating revenues.

Net nonoperating revenues increased $73,334 from $8,202 in fiscal year 2019 to $81,536 in fiscal year 2020. The increase occurred primarily as a result of the recognition of federal stimulus funds of $65,553 related to COVID-19.

Total Margin

Total margin or excess margin is a ratio that defines the percentage of total revenue (operating plus nonoperating) that has been realized in the form of net income (income before capital contributions and other transfers) and is a common measure of total hospital profitability. Total margin for the fiscal years 2021, 2020, and 2019 is illustrated in the chart to the right.



(Dollar amounts in thousands)

Financial Analysis

Statements of Net Position

The table below is a presentation of certain condensed financial information derived from the Group’s statements of net position as of June 30, 2021, 2020, and 2019:

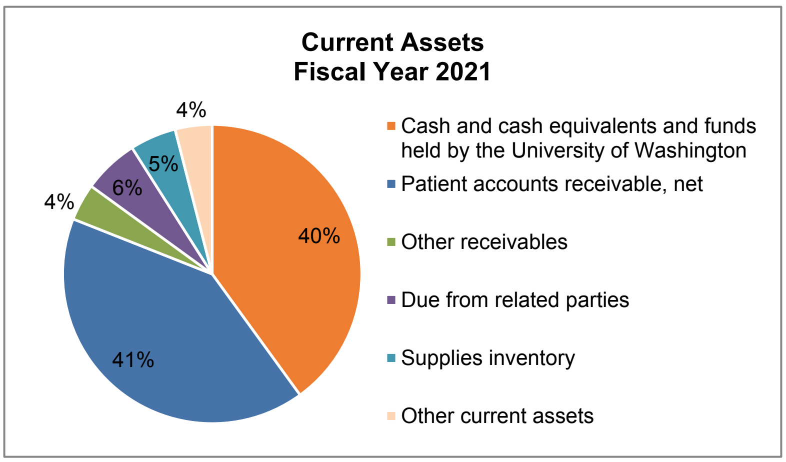
		2021	2020	2019
Current assets	$	695,807	554,671	445,696
Noncurrent assets:				
Capital assets, net of accumulated depreciation		762,496	727,400	724,210
Funds held by the University of Washington		246,352	189,256	113,649
Investments		143,510	111,693	157,131
Investment in Seattle Cancer Care Alliance		259,279	208,442	183,380
Other assets		71,619	52,733	37,580
Total assets		2,179,063	1,844,195	1,661,646
Deferred outflows of resources		300,688	150,664	110,083
Total assets and deferred outflows of resources	$	2,479,751	1,994,859	1,771,729
Current liabilities	$	693,496	582,086	439,622
Noncurrent liabilities:				
Other noncurrent liabilities		636,781	562,970	489,371
Pension liabilities		176,802	217,410	243,368
Other postemployment benefits		413,696	309,441	280,069
Total liabilities		1,920,775	1,671,907	1,452,430
Deferred inflows of resources		230,561	201,410	196,963
Net position		328,415	121,542	122,336
Total liabilities, deferred inflows of resources, and net position	$	2,479,751	1,994,859	1,771,729

Total assets and deferred outflows of resources were $2,479,751 at June 30, 2021 compared to $1,994,859 at June 30, 2020 representing an increase of $484,892. This increase is primarily attributed to an increase in patient accounts receivable, an increase in Funds Held by the University of Washington, an increase in the Investment in SCCA and an increase in deferred outflows of resources related to other postemployment benefits.

Current liabilities increased $111,410 from $582,086 at June 30, 2020 to $693,496 at June 30, 2021. This increase is primarily attributed to physician distribution, clinical medical fund and departmental payables, and due to related parties. Noncurrent liabilities increased $137,458 from $1,089,821 at June 30, 2020 to $1,227,279 at June 30, 2021 driven by an increase in other postemployment benefits (OPEB) liability and long-term debt, net of current portion.

Total assets and deferred outflows of resources were $1,994,859 at June 30, 2020 compared to $1,771,729 at June 30, 2019 representing an increase of $223,130. During fiscal year 2020, total assets included an increase in cash and cash equivalents and Funds Held by the University of Washington.

Current liabilities increased $142,464 from $439,622 at June 30, 2019 to $582,086 at June 30, 2020. The increase was primarily attributed to Medicare advanced payments of $125,300 received in fiscal year 2020. Pension liabilities decreased $25,958 from $243,368 at June 30, 2019 to $217,410 at June 30, 2020 and deferred inflows of resources related to pensions increased $9,832 from $83,501 at June 30, 2019 to $93,333 at June 30, 2020 as a result of the investment earnings for the Public Employees' Retirement System (PERS) defined-benefit plan. OPEB liability increased $29,372 from $280,069 at June 30, 2019 to $309,441 and June 30, 2020 as a result of a change in the actuarial discount rate.



Current Assets

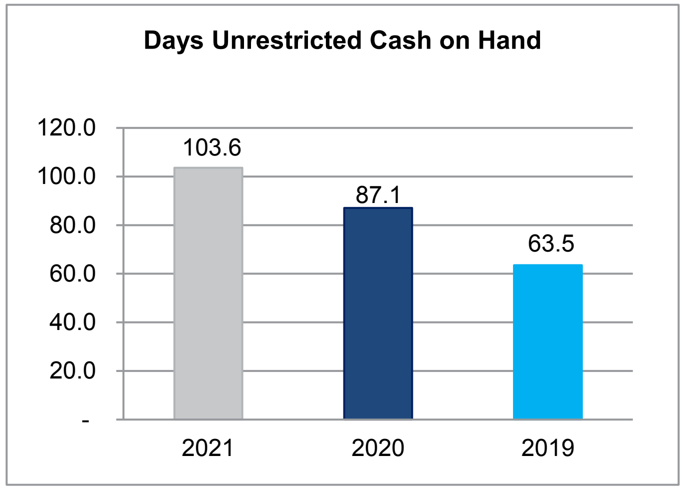
Current assets consist of cash and cash equivalents, and other current assets that are expected to be converted to cash within a year. Current assets also include patient accounts receivable valued at the estimated net realizable amount due from commercial, governmental, and self-pay payers.

Fiscal year 2021 composition of current assets is illustrated in the chart above.

Cash and cash equivalents represent both cash and funds held by the University on behalf of the Group that are considered cash equivalents. Cash and cash equivalents increased $42,425 from $237,653 at June 30, 2020 to $280,078 at June 30, 2021 and increased $128,242 from $109,411 at June 30, 2019 to $237,653 at June 30, 2020.

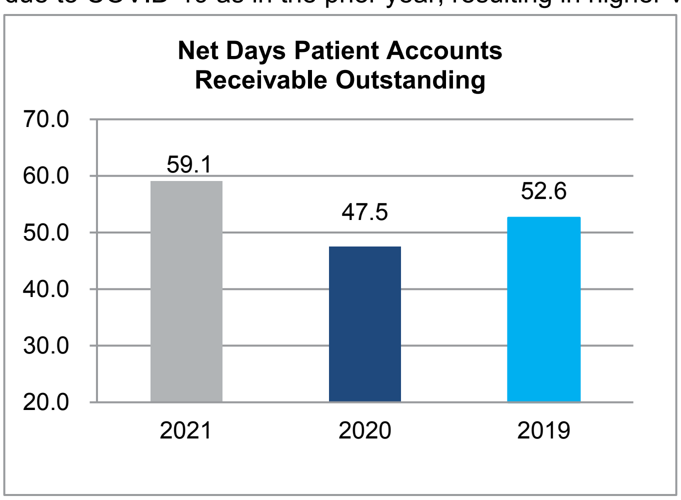
Days unrestricted cash on hand is utilized to evaluate an organization's continuing ability to meet its short-term operating needs. Days unrestricted cash on hand (including funds held by the University and investments, which are classified as noncurrent funds) as of June 30 for fiscal years 2021, 2020, and 2019 are illustrated in the chart below.

The Group's total days unrestricted cash on hand increased 16.5 days from 87.1 days at June 30, 2020 to 103.6 days at June 30, 2021. The increase is a result of additional state appropriations and other funding received for COVID-19. At June 30, 2021, Medicare has recouped $16,511 of the Group's Medicare advanced payments. Excluding the payable balance of Medicare advanced payments at June 30, 2021, days cash on hand would have been 86.8 days.



The Group's total days unrestricted cash on hand increased 23.6 days from 63.5 days at June 30, 2019 to 87.1 days at June 30, 2020. The increase was a result of federal stimulus funding and Medicare advanced payments received during the fiscal year. Excluding Medicare advanced payments, as the payments will be recouped by Medicare, days cash on hand would have been 66.8 days at June 30, 2020.

Net patient accounts receivable were $287,597 as of June 30, 2021 compared to $212,001 as of June 30, 2020, an increase of $75,596. In fiscal year 2021, fewer non-emergent and elective procedures were cancelled due to COVID-19 as in the prior year, resulting in higher volumes, revenue, and accounts receivable. UW Medicine implemented Destination: One in late March 2021, which required overall process changes. These changes led to a temporary delay in billing and collections at the end of fiscal year 2021.



Net patient accounts receivable were $212,001 as of June 30, 2020 compared to $249,340 as of June 30, 2019, a decrease of $37,339. In fiscal year 2020, the decrease in net patient accounts receivable was driven by a decrease in volumes and charges due to the mandatory cancellation of non-emergent and elective procedures as a result of COVID-19.

Net days patient accounts receivable outstanding illustrates an organization's ability to convert net patient service revenues to cash. Net days patient accounts receivable outstanding as of June 30 for fiscal years 2021, 2020, and 2019 are illustrated in the chart to the left.

The Group's total net days patient accounts receivable outstanding increased 11.6 days from 47.5 days at June 30, 2020 to 59.1 days at June 30, 2021. The increase in net days patient accounts receivable between fiscal years 2021 and 2020 is driven by billing and collection delays due to Destination: One and lower patient accounts receivable in fiscal year 2020 driven by the cancellation of non-emergent and elective procedures.

The Group's total net days patient accounts receivable outstanding decreased 5.1 days from 52.6 days at June 30, 2019 to 47.5 days at June 30, 2020. The decrease in net days patient accounts receivable outstanding between fiscal years 2020 and 2019 was driven by the timing of commercial payers cash collections, which caused patients accounts receivable and net days patient accounts receivable to be higher at June 30, 2019.

As of June 30, 2021 and 2020, 47% and 48% of the gross patient accounts receivable balance were due from Commercial payers, governmental payers (Medicare and Medicaid) comprised 48% and 46%, Self-pay payers comprised 3% and 4%, and Exchange comprised 2% and 2%, respectively.

Other receivables consist of amounts due from external parties for services. Other receivables increased $2,955 from $23,484 at June 30, 2020 to $26,439 at June 30, 2021. The increase in fiscal year 2021 relates to a receivable from King County to support the Group's COVID-19 mass vaccination clinics. Other receivables increased $2,595 from $20,889 at June 30, 2019 to $23,484 at June 30, 2020. The increase in fiscal year 2020 was primarily due to increased receivables from the State to support the COVID-19 response.

Due from related parties consists of amounts due for services provided to Harborview, VMC, and the School. Due from related parties increased $8,872 from $30,067 at June 30, 2020 to $38,939 at June 30, 2021. Due from related parties increased $8,330 from $21,737 at June 30, 2019 to $30,067 at June 30, 2020. The increases in fiscal years 2021 and 2020 relate to the timing of payments between the Group, Harborview, and the School.

Noncurrent Assets

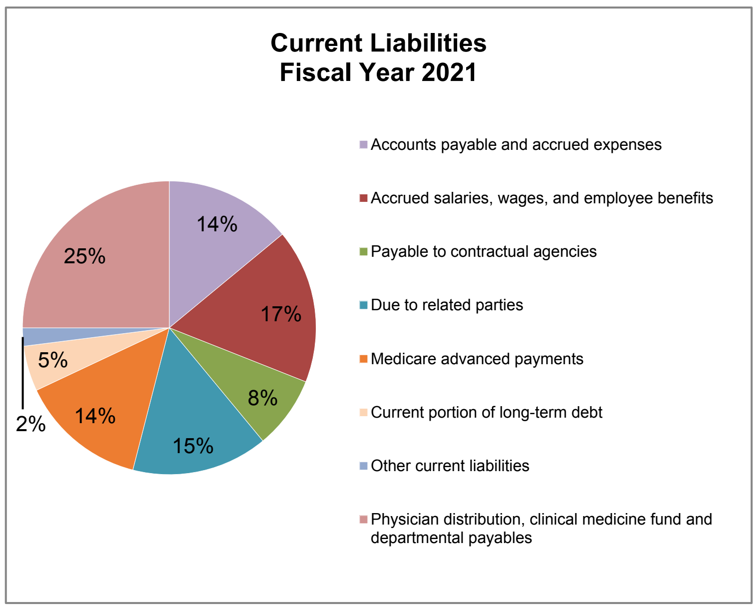
Capital assets, net of accumulated depreciation increased $35,096 during the fiscal year 2021 from $727,400 at June 30, 2020 to $762,496 at June 30, 2021 and increased $3,190 during the fiscal year 2020 from $724,210 at June 30, 2019 to $727,400 at June 30, 2020. In fiscal years 2020 and 2021, the increases were primarily due to additions of capital assets at UW Medicine IT Services due to the Destination: One project and additions at UW Medical Center due to the Behavioral Health Teaching Facility.

Additional discussion regarding capital asset activity, including capital commitments, during the fiscal years can be found in the notes to the financial statements.

Funds held by the University represent funds invested with the University and are classified as a noncurrent asset by the Group. Through the University's investment program, the Group receives a rate of return. For fiscal years 2021, 2020, and 2019, the University allocated a rate of return of 0.75% on a portion of the Group's assets. Noncurrent funds held by the University increased $57,096 in fiscal year 2021 from $189,256 at June 30, 2020 to $246,352 at June 30, 2021 driven by cash received for additional state appropriations, other funding received for COVID-19, and funds transferred from affiliates during the fiscal year. Noncurrent funds held by the University increased $75,607 in fiscal year 2020 from $113,649 at June 30, 2019 to $189,256 at June 30, 2020 due to federal stimulus funds received related to COVID-19. Additionally, in fiscal year 2020, subsequent to integration with UW Medical Center, Northwest Hospital's investments were transferred to the University investment program, causing an increase in funds held by the University.

Investments represents investments held for the benefit of the School. Investments increased $31,817 from $111,693 at June 30, 2020 to $143,510 at June 30, 2021. The increase in investments was a result of positive investment portfolio performance during fiscal year 2021.

Investments decreased $45,438 from $157,131 at June 30, 2019 to $111,693 at June 30, 2020. The decrease in investments was a result of the transfer of Northwest Hospital's investments to the University investment program, which is presented within funds held by the University, upon Northwest Hospital's integration with UW Medical Center during fiscal year 2020.



Investment in SCCA represents UW Medical Center's interest in SCCA, representing a 33.3% ownership. UW Medical Center accounts for its interest in the SCCA using the equity method of accounting. Investment in SCCA increased $50,837 from $208,442 at June 30, 2020 to $259,279 at June 30, 2021 and increased $25,062 from $183,380 at June 30, 2019 to $208,442 at June 30, 2020. Changes in the investment value reflect UW Medical Center's proportionate interest in the change in net assets of SCCA. The increases in fiscal years 2021 and 2020 were attributable to SCCA's positive operating and investment performance.

Current Liabilities

Current liabilities consist of accounts payable and other accrued liabilities that are expected to be paid within a year or payable on demand. Total current liabilities were $693,496, $582,086, and $439,622 at June 30, 2021, 2020, and 2019, respectively. Fiscal year 2021 composition of current liabilities is illustrated in the chart above.

Accounts payable and accrued expenses increased $7,694 from $92,358 at June 30, 2020 to $100,052 at June 30, 2021 and increased $545 from $91,813 at June 30, 2019 to $92,358 at June 30, 2020. Changes in accounts payable and accrued expenses are primarily the result of timing of payments to vendors.

Accrued salaries, wages, and employee benefits increased $14,600 from $103,250 at June 30, 2020 to $117,850 at June 30, 2021 and decreased $5,191 from $108,441 at June 30, 2019 to $103,250 at June 30, 2020. Changes in accrued salaries, wages, and employee benefits are primarily driven by the number of employees, employee merit and fringe benefit rate fluctuations, and paid leave accruals.

Due to related parties consists of amounts owed for services provided to the Group by the School, the University and other affiliates. Due to related parties increased $42,964 from $58,494 at June 30, 2020 to $101,458 at June 30, 2021 and increased $14,329 from $44,165 at June 30, 2019 to $58,494 at June 30, 2020. The increases in both fiscal years were driven by timing of payments between related parties.

In addition, the Group has a long-term due to related parties balance of $138,731 at June 30, 2021 compared to $123,731 at June 30, 2020, an increase of $15,000. The increase in long-term due to related parties in fiscal year 2021 was driven by $15,000 provided by the University for small capital projects at UW Medical Center. The Group has to repay this balance by December 31, 2022 or the balance will convert into a University Internal Lending Program (ILP) loan.

Long-term due to related parties increased $33,068 from $90,663 at June 30, 2019 compared to $123,731 at June 30, 2020. On January 1, 2020, upon integration of Northwest Hospital into UW Medical Center, this payable to the University was assumed by UW Medical Center, and the balance has not increased since integration. The increase in long-term due to related parties in fiscal year 2020 was driven by agreed-upon delayed settlements from Northwest Hospital to the University.

Medicare advanced payments consists of advanced payments received from Medicare under Centers for Medicare and Medicaid Services (CMS) Medicare Advanced Payment Program. As of June 30, 2021 and 2020, the current portion of $95,525 and $125,300, respectively, is presented within Medicare advanced payments in the accompanying statements of net position. The long-term portion of $13,264 and $0 is recorded in other noncurrent liabilities at June 30, 2021 and 2020 in the statements of net position.

The advanced Medicare funds will be recouped by Medicare by offsetting paid claims until the full amount is recouped. Medicare began recouping Medicare advanced payments in April 2021 from the Group and has recouped $16,511 as of June 30, 2021. The Group expects the advances to be fully repaid by fiscal year 2023.

Physician distribution, clinical medicine fund, and departmental payables consist of receipts collected by UWP that are allocated and distributed to the physicians, the clinical medicine fund, and departmental payables for the benefit of the School. The payable increased $52,452 from $119,558 at June 30, 2020 to $172,010 at June 30, 2021. In fiscal year 2021, the increase in the payables was due to greater investment income and departmental income due to higher volumes than fiscal year 2020, which correlates with an increase in clinical medical fund and departmental payables. The increase in volumes were driven by fewer non-emergent and elective procedures that were cancelled due to COVID-19 in fiscal year 2021 compared to fiscal year 2020.

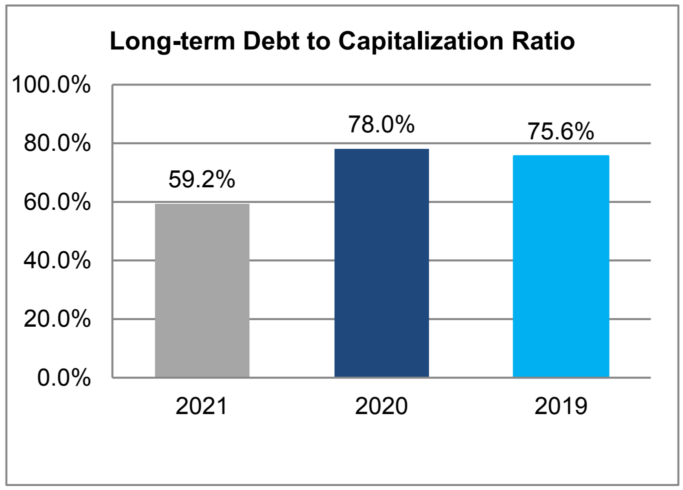
The payable decreased $678 from $120,236 at June 30, 2019 to $119,558 at June 30, 2020. In fiscal year 2020, the decrease in the payables was due to lower volumes attributed to COVID-19.

Noncurrent Liabilities

Noncurrent liabilities consist primarily of noncurrent portion of long-term debt, pension liabilities, OPEB liability, and other noncurrent liabilities.

Long-term debt, including current portion, increased $58,509 from $403,785 at June 30, 2020 to $462,294 at June 30, 2021. Long-term debt, including current portion increased $33,615 from $370,170 at June 30, 2019 to $403,785 at June 30, 2020. In fiscal years 2020 and 2021, the increases in long-term debt were driven by the UW Medicine IT Services Destination: One and the Childbirth Center projects.

Long-term debt to capitalization (debt/unrestricted net assets + net investment in capital assets + debt) is a ratio used to assess the capital structure of healthcare organizations. The chart to the right shows the long-term debt to capitalization ratio as of June 30 for 2021, 2020, and 2019 based on the amounts reported in the financial statements. The Group's long-term debt to capitalization ratio decreased from 78.0% in fiscal year 2020 to 59.2% in fiscal year 2021 as a result of an increase in net position of $206,873. The Group's long-term debt to capitalization ratio increased from 75.6% in fiscal year 2019 to 78.0% in fiscal year 2020 as a result of an increase in long-term debt and a slight decrease in net position of $794.



Additional discussion regarding long-term debt activity during the fiscal years can be found in the notes to the financial statements.

Net Position

Unrestricted net position increased $227,394 from $(213,567) at June 30, 2020 to $13,827 at June 30, 2021. The increase in unrestricted net position was driven by income before capital contributions and other transfers.

Unrestricted net position increased $21,258 from $(234,825) at June 30, 2019 to $(213,567) at June 30, 2020. The increase in unrestricted net position was driven a decrease in net investment in capital assets.

Postemployment Obligations

The University has a financial responsibility for pension benefits associated with the PERS defined-benefit plans, University of Washington Supplemental Retirement Plan (UWSRP) defined-benefit plan, and OPEB, which includes those University employees deployed within the Group. Pension liabilities, OPEB liabilities, and the respective deferred outflows and inflows of resources are determined by actuarial reports. Pension liabilities had a net decrease of $40,608 in fiscal year 2021 which was primarily driven by a change in the discount rate for UWSRP. OPEB liabilities increased $104,255 reflecting the impact of a lower end of year discount rate used in the associated actuarial valuation. The increase in deferred outflows related to other postemployment benefits of $126,836 in fiscal year 2021 primarily pertains to an increase in the Group's proportionate share of the University's plan results and a decrease in the discount rate used to value the total ending liability. Additional discussion regarding pension liabilities, OPEB liabilities and the respective deferred outflows and inflows of resources can be found in the notes to the financial statements.

(Dollar amounts in thousands)

The Group has recognized its proportionate share of the University's actuarially determined pension liabilities, total OPEB liability, deferred inflows of resources and deferred outflows of resources, and expense. All funding obligations to the University are on a pay-as-you-go basis. As the liability increases, the funding obligations will also increase. The following table represents the liabilities, expense, and funding contributions to the University associated with postemployment obligations as of June 30, 2021, 2020, and 2019:

		2021	2020	2019
Pension liabilities	$	176,802	217,410	243,368
Pension expense		20,091	19,421	12,920
Pension funding contribution to the University		68,739	60,642	54,804
OPEB liability	$	413,696	309,441	280,069
OPEB expense		6,607	12,676	16,384
OPEB funding contribution to the University		7,277	5,336	5,142

Factors Affecting the Future

Economic Uncertainty Facing the Healthcare Industry

The COVID-19 pandemic continues to evolve and the future impact on the Group's operations and financial position will be driven by many factors, most which are beyond the Group's control and difficult to predict. The spread of COVID-19 and the ensuing response of federal, state, and local authorities beginning in March 2020 resulted in a material reduction in our patient volumes. Restrictive measures, including travel bans, social distancing, quarantines and shelter-in-place orders, reduced the number of procedures performed at our facilities, as well as the volume of emergency room visits. We responded to the pandemic throughout the entire fiscal year and experienced gradual and continued improvement in patient volumes as stay-at-home restrictions eased and our facilities were permitted to resume elective surgeries and other procedures; however, the COVID-19 pandemic continues to impact our business, as well as our patients, communities, and employees. Broad economic factors resulting from the pandemic, including increased unemployment rates and reduced consumer spending, continue to impact our patient volumes, case mix acuity, service mix, and revenue mix. The pandemic has also continued to have an adverse effect on our operating expenses to varying degrees. We have been required to utilize higher-cost temporary labor and pay premiums above standard compensation for essential workers. In addition, we have experienced significant price increases in medical supplies, particularly for personal protective equipment (PPE), and have encountered supply chain disruptions, including shortages and delays. Because of these factors and other uncertainties, management cannot estimate the length or severity of the impact of the pandemic on the Group's business.

However, we believe that our ultimate success in increasing profitability depends in part on our success in executing on our strategies. In general, these strategies are intended to improve financial performance through the reduction of costs and in streamlining how we provide clinical care as well as mitigating the negative reimbursement trends experienced within the market. With a continued focus on patient volumes shifting from inpatient to outpatient settings due to technological advancements, and demand for care that is more convenient, affordable, and accessible as well as industry-wide migration to value-based payment models as governmental and commercial payers shift risk to providers, the Group's focus is on managing costs and care efficiently.

Financial Stability Plan / Project FIT

Project FIT is a multiyear effort to improve our financial performance while achieving our mission to improve the health of the public. UW Medicine was making strong progress toward Project FIT goals overall through February 2020, however, the COVID-19 pandemic drove a need for UW Medicine leadership to reprioritize strategic priorities and look for areas where capital investment could be delayed or reduced with minimal impact to our immediate return on investment. For fiscal year 2022, Project FIT will continue to develop and execute key initiatives, including increasing revenues through the growth of clinical services, reducing costs through key strategic initiatives related to labor, productivity, supply pricing, and utilization as well as investing in our infrastructure will continue to be a priority.

UW Finance Transformation

In December 2019, the UW Finance Transformation (UWFT) program received approval from the Board of Regents to proceed with a broad redesign of finance-related policies and processes, enabled by the implementation of new enterprise resource planning (ERP) technology. The University and UW Medicine have determined that Workday Financials® will provide the best available platform to support the business objectives for this transformation by providing a seamless, integrated solution for Human Resources and Payroll, which was previously implemented, Procurement, and Finance. UW Medicine and the University expect three primary areas of program benefit: functional benefits in the form of new and improved system capabilities, cost avoidance of maintaining and upgrading existing systems, and efficiencies in new business processes and organization. Total program costs are approximately $340,000, which includes all operating and capital costs for implementation and one year of stabilization. UW Medicine will be charged for a portion of the project. The amount and allocation methodology will be finalized upon completion of the project. UWFT is expected to be implemented on July 1, 2023.

Behavioral Health Teaching Facility at UW Medical Center

UW Medicine and the Washington State legislature established a Behavioral Health Teaching Facility (BHTF) at UW Medical Center, which will be located on the Northwest campus. BHTF will serve the dual purposes of treating patients with behavioral health needs and training an integrated behavioral health workforce in the new 191,000 square foot facility. The State awarded $234,000 for the planning, design work, construction, and equipment necessary to build a new, first of its kind building. Construction has recently begun and is anticipated to be complete in 2023 with patients being seen in the facility in early 2024.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Statements of Net Position

June 30, 2021 and 2020

(Dollar amounts in thousands)

Assets		2021	2020
Current assets:			
Cash and cash equivalents	$	68,881	57,894
Funds held by the University of Washington		211,197	179,759
Patient accounts receivable, less allowance for uncollectible accounts of $8,331 in 2021 and $11,299 in 2020, respectively		287,597	212,001
Other receivables		26,439	23,484
Due from related parties		38,939	30,067
Supplies inventory		35,659	30,910
Restricted investments		32	1,058
Other current assets		27,063	19,498
Total current assets		695,807	554,671
Noncurrent assets:			
Capital assets, net of accumulated depreciation		762,496	727,400
Funds held by the University of Washington		246,352	189,256
Investments		143,510	111,693
Donor restricted assets		10,336	7,785
Investment in Seattle Cancer Care Alliance		259,279	208,442
Other assets		61,283	44,948
Total noncurrent assets		1,483,256	1,289,524
Total assets		2,179,063	1,844,195
Deferred outflows of resources:			
Deferred outflows of resources related to pensions		125,489	101,619
Deferred outflows of resources related to other postemployment benefits		170,644	43,808
Other deferred outflows of resources		4,555	5,237
Total assets and deferred outflows of resources	$	2,479,751	1,994,859

(Continued)

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Statements of Net Position

June 30, 2021 and 2020

(Dollar amounts in thousands)

Liabilities and Net Position		**2021**	**2020**
Current liabilities:			
Accounts payable and accrued expenses	$	100,052	92,358
Accrued salaries, wages, and employee benefits		117,850	103,250
Payable to contractual agencies		58,418	44,298
Due to related parties		101,458	58,494
Medicare advance payments		95,525	125,300
Current portion of long-term debt		31,212	18,318
Other current liabilities		16,971	20,510
Physician distribution, clinical medicine fund, and departmental payables		172,010	119,558
Total current liabilities		693,496	582,086
Noncurrent liabilities:			
Long-term debt, net of current portion		431,082	385,467
Pension liabilities		176,802	217,410
Other postemployment benefits		413,696	309,441
Due to related parties – long-term		138,731	123,731
Other noncurrent liabilities		66,968	53,772
Total liabilities		1,920,775	1,671,907
Deferred inflows of resources:			
Deferred inflows of resources related to pensions		100,571	93,333
Deferred inflows of resources related to other postemployment benefits		129,990	108,077
Net position:			
Net investment in capital assets		304,252	327,324
Nonexpendable, restricted		4,188	4,171
Expendable, restricted		6,148	3,614
Unrestricted		13,827	(213,567)
Total net position		328,415	121,542
Total liabilities, deferred inflows of resources, and net position	$	2,479,751	1,994,859

See accompanying notes to basic financial statements.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

(Dollar amounts in thousands)

		2021	2020
Operating revenues:			
Net patient service revenues (net of provision for uncollectible accounts of $22,634 in 2021 and $17,238 in 2020)	$	1,777,389	1,633,543
UWP billing revenues, net		367,001	326,428
Other revenue		322,126	279,528
Total operating revenues		2,466,516	2,239,499
Operating expenses:			
Salaries and wages		999,472	982,109
Employee benefits		231,685	239,382
Other postemployment benefits		6,607	12,676
Purchased services		509,309	477,172
Supplies		474,985	429,466
Other		118,444	105,391
Depreciation		77,748	81,754
Total operating expenses		2,418,250	2,327,950
Income (loss) from operations		48,266	(88,451)
Nonoperating revenues (expenses):			
Investment income		2,693	2,413
Interest expense		(19,520)	(17,937)
Funding to affiliates		(70,242)	(52,517)
Funding from affiliates		73,084	57,437
Federal stimulus funding		34,575	65,553
Equity earnings from Investment in Seattle Cancer Care Alliance		50,837	25,062
Other, net		57,034	1,525
Nonoperating revenues, net		128,461	81,536
Income (loss) before capital contributions and other transfers		176,727	(6,915)
Capital contributions and other transfers		30,146	6,121
Increase (decrease) in net position		206,873	(794)
Net position – beginning of year		121,542	122,336
Net position – end of year	$	328,415	121,542

See accompanying notes to basic financial statements.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollar amounts in thousands)

		2021	2020
Cash flows from operating activities:			
Cash received for patient care	$	1,701,065	1,782,316
Cash received for UWP billing revenues		336,661	335,994
Cash received for other services		312,201	268,608
Cash paid to employees		(1,270,035)	(1,273,752)
Cash paid to suppliers and others		(1,110,547)	(1,000,634)
Net cash (used in) provided by operating activities		(30,655)	112,532
Cash flows from noncapital financing activities:			
Funding to affiliates		(68,696)	(52,511)
Funding from affiliates		73,084	57,437
Change in due to/from related parties		22,615	33,068
Cash received for Federal stimulus funding		34,575	65,553
Additions to clinical medicine fund and departmental payables		46,835	3,990
Other, net		57,507	6,731
Net cash provided by noncapital financing activities		165,920	114,268
Cash flows from capital and related financing activities:			
Purchases of capital assets		(110,345)	(84,134)
Principal payments on long-term debt		(18,364)	(17,499)
Proceeds from borrowings		75,969	50,576
Interest payments on long-term debt		(18,040)	(16,755)
Other		39,769	250
Net cash used in capital and related financing activities		(31,011)	(67,562)
Cash flows from investing activities:			
Proceeds from sale of investments		55,813	126,015
Purchases of investments		(63,611)	(83,141)
Change in funds held by the University and donor restricted assets		(58,396)	(77,322)
Investment income		6,855	6,141
Other		(2,490)	(2,689)
Net cash used in investing activities		(61,829)	(30,996)
Increase in cash and cash equivalents		42,425	128,242
Cash and cash equivalents, beginning of year		237,653	109,411
Cash and cash equivalents, end of year	$	280,078	237,653

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollar amounts in thousands)

		2021	2020
Reconciliation of income (loss) from operations to net cash provided by operating activities:			
Income (loss) from operations	$	48,266	(88,451)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:			
Depreciation		77,748	81,754
Provision for uncollectible accounts		22,634	17,238
Other		312	2,122
UWP Investment income		(27,131)	(1,066)
Net (decrease) increase in operating activities:			
Patient accounts receivable		(98,230)	20,101
Other receivables		(2,004)	(2,590)
Due from related parties		(7,921)	(8,330)
Supplies inventory, other current assets, and other assets		(11,633)	(15,664)
Pension related deferred inflows, deferred outflows, and net pension liability		(51,820)	(41,733)
OPEB related deferred inflows, deferred outflows, and OPEB liability		(668)	7,339
Accounts payable and accrued expenses		828	3,345
Accrued salaries, wages, and employee benefits		14,600	(5,191)
Due to related parties		2,829	14,329
Payable to contractual agencies, Medicare advanced payments, and other current liabilities		(20,946)	132,521
Physician distribution payable		5,617	(4,668)
Noncurrent liabilities		16,864	1,476
Net cash (used in) provided by operating activities	$	(30,655)	112,532
Supplemental disclosures of noncash investing, capital, and financing activities:			
Change in capital assets included in accounts payable	$	6,866	(2,800)
(Decrease) increase in capital assets included in noncurrent liabilities		(3,668)	6,098
Net unrealized gains (losses) on investments		20,212	(5,574)
Increase in investment in Seattle Cancer Care Alliance		50,837	25,062

See accompanying notes to basic financial statements.

(1) Organization and Operations

The UW Medicine Clinical Enterprise – UW Division (the Group) is comprised of UW Medicine clinical entities, which are divisions, departments, and component units of the University of Washington (an agency of the state of Washington) (the University). The Group includes the University of Washington Medical Center (UW Medical Center), UW Medicine/Northwest dba Northwest Hospital & Medical Center (Northwest Hospital), which was a separate legal entity through December 31, 2019, UW Physicians Network dba UW Neighborhood Clinics (Neighborhood Clinics), The Association of University Physicians dba UW Physicians (UWP), Airlift Northwest (Airlift), and UW Medicine Shared Services.

UW Medicine's mission is to improve the health of the public and is governed and administered as an enterprise fund of the University. UW Medicine also strives to facilitate the education of physicians and other health care providers, support research activities in collaboration with the University School of Medicine (the School) and render other services designed to achieve the "Triple Aim", which is to improve the healthcare experience for the individual, improve health of the population, and provide more affordable care.

The University of Washington is governed by a ten-member Board of Regents appointed by the Governor of Washington. The UW Medicine Advisory Board was established by the University of Washington Board of Regents in July 2018 and became effective on September 1, 2018. The UW Medicine Advisory Board consists of experienced professionals with relevant backgrounds appointed by the UW Board of Regents and chaired by a member of the UW Board of Regents. The UW Medicine Advisory Board advises the UW Board of Regents on all aspects relating to UW Medicine and assists the UW Medicine chief executive officer and dean of the School of Medicine in strategic planning and oversight of programs across the organizations that make up UW Medicine, including Harborview Medical Center (Harborview), UW Medical Center, Valley Medical Center (VMC), the Neighborhood Clinics, UWP, the School, and Airlift.

Harborview, a component unit of King County, Washington and a related party to the University, is not reflected within the Group financial reporting entity.

VMC, a Washington public hospital district, is a discretely presented component unit of the University, and is not reflected within the Group financial reporting entity.

The School is a public medical school that is part of the University but is not reflected as part of the Group financial reporting entity.

UW Medical Center

UW Medical Center is a 529 licensed-bed hospital and is a division of the University. Subsequent to the integration of Northwest Hospital into UW Medical Center on January 1, 2020, UW Medical Center includes the Northwest campus, which is a 281 licensed-bed, full service medical facility. Authority for specified governance functions of UW Medical Center has been delegated by the University Board of Regents (the Regents) to the UW Medical Center Board as specified in its bylaws, approved by the Regents in July 2018 and amended in May 2020. UW Medical Center operates under the direction of the UW Medical Center chief executive officer, who is accountable to the UW Medical Center Board and the president of UW Medicine hospitals and clinics for management of the facility.

Northwest Hospital

Northwest Hospital was a Washington not-for-profit corporation, incorporated in 1949, whose sole corporate member is the University. In February 2018, the University Board of Regents granted approval to proceed with the dissolution of Northwest Hospital as a separate corporation. Effective January 1, 2020, Northwest Hospital was integrated into UW Medical Center as its second campus, and its assets and liabilities were transferred to UW Medical Center. Northwest Hospital employees became University employees effective January 1, 2020. The Northwest Hospital corporation ceased operations and is in the final stages of winding up for dissolution of the corporation. Prior to the integration, Northwest Hospital was a component unit of the University.

The former Northwest Hospital now operates as the Northwest campus of UW Medical Center and is governed by the UW Medical Center Board, with management under the UW Medical Center Chief Executive Officer. The medical staff are governed by the UW Medical Center medical staff bylaws.

UWP

UWP, a Washington not-for-profit corporation and component unit of the University, was formed for the exclusive benefit of the School. UWP employs the School faculty and bills and collects for their clinical services as an agent for the School. All revenues after payment of operating expenses and physician salaries are held for the benefit of the School under the Operating Agreement between UWP and the University as presented in note 2(t).

Airlift

Airlift provides rapid emergency air transport services through one owned and eleven leased aircraft to critically ill or injured patients throughout Washington, Alaska, Montana, and Idaho.

Neighborhood Clinics

The Neighborhood Clinics are a Washington not-for-profit corporation and component unit of the University. The Neighborhood Clinics were established for the benefit of the School, UWP, and its affiliated medical centers, exclusively for clinical, scientific, and educational purposes. The Neighborhood Clinics were organized to coordinate and develop patient care in a community clinical setting to enhance the academic environment of the School by providing additional sites of primary care practice and training for faculty, residents, and students. Neighborhood Clinics employees became University employees effective January 1, 2021.

UW Medicine Shared Services

UW Medicine Shared Services is comprised of a number of functions within the University, established for the purpose of providing scalable administrative and information technology (IT) support services for UW Medicine. Examples of these functions include UW Medicine IT Services (ITS), UW Medicine Revenue Cycle, UW Medicine Finance and Accounting, UW Medicine Supply Chain, and UW Medicine Contracting.

Embright

In October 2018, the Board of Regents authorized the University, through UW Medicine, to become an equity member in a limited liability company. PNWCIN, LLC dba Embright was created in 2018 and is jointly owned by UW Medicine, MultiCare Health System, and LifePoint Health. As a clinically integrated network in the Pacific Northwest owned by healthcare provider organizations, Embright enables the members to partner together to further the Triple Aim of improving the patient care experience and improving the health of populations while reducing costs. Together, the members represent 14 hospitals, more than 6,500 providers and over 600 outpatient sites of care. Embright's broad geographical reach assures that patients will have access to the full continuum of care, including preventive, primary, secondary, tertiary, quaternary, and postacute care. Throughout the network, teams are also implementing evidence-based clinical protocols, care pathways, standardized processes, and care management services for complex patients. UW Medicine has an equity ownership interest of 46.2% in Embright at June 30, 2021, which is recorded within other assets in the statements of net position.

COVID-19

The novel coronavirus (COVID-19) was identified in China in December 2019 and the first case in Washington State was discovered in January 2020. COVID-19 has spread globally creating a pandemic, which has significantly impacted the economic conditions at a local, national, and international level. On February 29, 2020, the governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address coronavirus in Washington and the forecasted potential surge of COVID-19 patients. On March 13, 2020, President Trump declared a national state of emergency with respect to the COVID-19 outbreak, ordering all states to establish emergency operations and authorizing the use of federal funds. Both the national state of emergency and Washington state of emergency have continued through fiscal year 2021. COVID-19 cases fluctuated throughout the fiscal year and the Group experienced multiple COVID-19 surges.

(2) Summary of Significant Accounting Principles

(a) Accounting Standards

The accompanying basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for state and local governments as prescribed by the Government Accounting Standards Board (GASB). The Group uses proprietary fund accounting.

(b) Basis of Accounting

The Group's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Intra-entity transactions have been eliminated in consolidation.

(Dollar amounts in thousands)

(c) Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates in the Group's financial statements include patient accounts receivable allowances, third-party payer settlements, and pension and postemployment obligations.

(d) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with original maturities of three months or less at the date of purchase, excluding amounts whose use is limited by board designation. As of June 30, 2021 and 2020, approximately $67,932 and $57,289 was held in cash and $949 and $605, respectively, was held in cash equivalents. Cash deposits of up to $250 are fully insured by the Federal Depository Insurance Corporation.

(e) Funds Held by the University of Washington

Operating and capital funds for certain entities within the Group are invested directly with the University. The current portion is determined based on funds expected to be used in the next year. All balances are available on demand and are stated at carrying value. The University offers a stipulated rate of return determined at the end of the reporting period by the University based on pooled investment performance and the University's reserve fund goals. For fiscal year 2021, the rate returned was 0.75%, representing $2,667 in investment income. For fiscal year 2020, the rate returned was 0.75%, representing $1,341 in investment income.

The Group has unrestricted access to deposit and withdraw these funds at its discretion and without limitation, and as such, amounts classified as current assets are considered cash and cash equivalents for presentation in the statements of cash flows.

Pooled investments held on behalf of the Group by the University are recorded at the Group's share of the carrying value of the University's cash and liquidity pools. The cash and liquidity pools were invested as follows at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	4.9 %	5.7 %
U.S. treasury and agencies securities	68.6	75.8
Mortgage-related securities	6.2	7.1
Asset-backed debt securities	14.5	7.9
Other fixed income securities	5.8	3.5
Total	100.0 %	100.0 %

Concentrations of credit risk consist of pooled investments held on behalf of the Group at the University.

(f) Investments

The Group holds investments in the form of equity securities, fixed-income securities, and government obligations. Fair value is determined based on quoted market prices. The Group's investment income, including realized and unrealized gains or losses, is reported as nonoperating revenue or expense with the exception of UWP whose investment income (including realized and unrealized gains and losses on investments) is a component of revenues as presented in note 2(t).

(g) Supplies Inventory

Supplies inventory consist primarily of surgical, medical, and pharmaceutical supplies in organized stores at various locations across the Group. Inventories are recorded at the lower of cost (first-in, first-out) or market.

(h) Capital Assets

Capital assets are stated at cost at acquisition, or if acquired by gift, at fair value at the date of the gift. Additions, replacements, major repairs, and major renovations are capitalized. Maintenance and repairs are expensed. The cost of the capital assets sold or retired and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded in other nonoperating expense in the statements of revenues, expenses, and changes in net position.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which are generally 5 to 25 years for land improvements, 10 to 40 years for buildings, renovations, and furnishings, 5 to 25 years for fixed equipment, and 3 to 20 years for movable equipment.

Interest is capitalized on large construction projects as a cost of the related project, beginning with commencement of construction and ceases when the construction period ends and the related asset is placed in service. There was no interest capitalized during fiscal years 2021 and 2020.

(i) Investment in Seattle Cancer Care Alliance

UW Medical Center is a one-third owner in Seattle Cancer Care Alliance (SCCA) and accounts for its interest under the equity method of accounting. Equity earnings from SCCA of $50,837 and $25,062 were recorded in fiscal years 2021 and 2020, respectively, and are included in other nonoperating revenues in the statements of revenues, expenses, and changes in net position. Since inception of SCCA, there have been no cash distributions to owners. The equity earnings recorded by UW Medical

(Dollar amounts in thousands)

Center is a noncash transaction. The following is a summary of SCCA's financial information as of and for the years ended June 30, 2021 and 2020:

		2021	2020
Assets	$	1,535,471	1,020,161
Liabilities	$	745,990	382,910
Net assets without donor restrictions		777,835	626,359
Net assets with donor restrictions		11,646	10,892
Total liabilities and net assets	$	1,535,471	1,020,161
Revenues	$	923,953	803,002
Expenses		840,847	734,934
Nonoperating revenue		68,180	5,139
Excess of revenues over expenses		151,286	73,207
Increase in net assets without donor restrictions	$	151,286	73,207

(j) UW Medicine IT Services

Harborview and SCCA provide advance funding to ITS, which entitles Harborview and SCCA access to the enterprise-wide IT software and services. ITS records the funding as unearned revenue. At June 30, 2021 and 2020, $7,600 and $9,600 is recorded in other current liabilities and $17,200 and $14,975 is recorded in other noncurrent liabilities in the statements of net position, respectively, based on expected usage.

Additionally, Harborview entered into a long-term arrangement to pay ITS for its portion of UW Medicine's clinical transformation program, called Destination: One, which is being funded by the University's Internal Lending Program (ILP). Harborview will pay ITS for its share of the project costs, which are allocated to each hospital based on full time equivalents (FTEs) and total operating revenues. At June 30, 2021 and 2020, ITS has recorded a noncurrent receivable from Harborview within other assets in the statements of net position of $25,317 and $8,837 related to this project. Harborview will make its first payment to ITS on August 1, 2021, with the remaining amounts paid over twelve years.

SCCA paid for operating and capital costs of the Destination: One project, which totaled $26,399. SCCA paid for all costs during the project and ITS has unearned revenue representing SCCA's future use of the asset. At June 30, 2021 and 2020, $1,400 and $5,025 of unearned revenue is recorded in other current liabilities and $11,922 and $11,464 is recorded in other noncurrent liabilities, respectively, in the statements of net position for SCCA's portion of the project.

(k) Compensated Absences

Compensated absences represent the liability for employees with accumulated leave balances earned through various leave programs. These amounts are payable when an employee terminates employment. Employees earn leave at varying rates depending upon their years of service and the leave plan in which they participate. Annual and sick leave accrued at June 30, 2021 and 2020 is $75,957 and $63,453, respectively. Compensated absences are reported within the accrued salaries, wages, and employee benefits in the statements of net position.

(l) Benefit Costs

Benefit costs are pooled centrally for all University employees, which, for the Group, includes University employees deployed at UW Medical Center, Airlift, UW Medicine Shared Services and beginning January 1, 2021 Neighborhood Clinics. Annually, the University reviews total employee benefit costs and prepares standard benefit load rates by employment classification. These benefit costs cover employee healthcare expense, workers' compensation, employment taxes, and retirement plans. Departments, divisions, agencies, component units, and related parties of the University, which have University employees qualifying for employee benefit coverage are charged a cost allocation using the determined benefit load rate and salary dollars by employment classification. All funding of obligations is on a pay-as-you-go basis.

(m) Pension and Postretirement Obligations

The Washington State Public Employees' Retirement System Pension Plan is a cost sharing pension plan. The net pension liability is measured as the Group's proportionate share of the collective total pension liability, less the fiduciary net position. The total pension liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits. The Group's proportionate share is determined based on the relationship of the Group contributions to total contributions to the plan by the University. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Deferred inflows and outflows of resources are reported within the statements of net position based on changes in assumptions, experience, and investment returns and are recognized over an amortization period. Contributions made to the plan subsequent to the measurement date and prior to the Group's fiscal year end are reported as a deferred outflow of resources and recognized in the subsequent fiscal year. The measurement date for the net pension liability is June 30 of the prior fiscal year.

The University of Washington Supplemental Retirement Plan (UWSRP) is a single employer plan. The total pension liability is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. The discount rate used for the total pension liability as of June 30, 2021, reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. The discount rate used for the total pension liability as of June 30, 2020, is the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average credit rating of AA/Aa or higher. The UWSRP liability as of June 30, 2021, represents the total pension liability less the plan's fiduciary net position. The UWSRP liability as of June 30, 2020, represents the total pension liability. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years (fiscal year 2021 only). The measurement date for the UWSRP liability is June 30 of the current fiscal year.

On July 1, 2020, the state of Washington established a qualifying trust for contributions paid by the University for the benefit of the UWSRP in accordance with RCW 41.50.075. As a result, the guidance governing the accounting for the UWSRP has changed from GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68* (GASB 73) to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This event gives rise to a change in the Group's estimates of future obligations, deferrals, and pension expense related to the UWSRP. Specifically, $5,349 of contributions paid in prior years and recognized as expense have been reported as capital contributions and other transfers on the statements of revenues, expenses, and changes in net position for the year ended June 30, 2021. In addition, the Group will now report the plan's net pension liability (total pension liability less the plan's fiduciary net position), related deferrals, and pension expense in accordance with GASB 68. Prior to this change in estimate, the Group reported the plan's total pension liability.

The Other Post Employment Benefits (OPEB) is a program for employees of the state of Washington beyond those provided by their pension plans. The total OPEB liability is measured as the Group's proportionate share of the University's total OPEB liability, with proportionate share determined based on the relationship of the Group's healthcare-eligible headcount to the total healthcare-eligible headcount for the University. The total OPEB liability is determined by discounting projected benefit subsidies for current employees and retirees based on the discount rate for OPEB plans, which do not have assets residing in a qualified trust. OPEB expense is recognized for subsidies earned during the period, interest on the total OPEB liability and changes in benefit terms. Differences between expected and actual experience and changes in assumptions are reported as deferred inflows or deferred outflows of resources, and are recognized over the average expected remaining service period for healthcare-eligible employees. Contributions made to the plan subsequent to the measurement date and prior to the Group's fiscal year end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the total OPEB liability is June 30 of the prior fiscal year.

(n) Aviation Expenses

Airlift contracts with two independent vendors to meet certain aviation service needs, including aircraft, pilots, flight planning, and maintenance. Flight costs include both monthly fixed fees and variable fees based on hours flown and are expensed as incurred. Aviation expenses are reported in purchased services within the statements of revenues, expenses, and changes in net position.

(o) Payable to Contractual Agencies

The Group is reimbursed for Medicare inpatient, outpatient, psychiatric, and rehabilitation services, and for capital and medical education costs during the year either prospectively or at an interim rate. The difference between interim payments and the reimbursement computed based on the Medicare filed cost report results in an estimated receivable from or payable to Medicare at the end of each year. The Medicare program's administrative procedures preclude final determination of amounts receivable from or payable to the Group until after the cost reports have been audited or otherwise reviewed and settled by Medicare.

Public hospitals located in the state of Washington designated by the Washington State legislature are reimbursed at the "full cost" of Medicaid inpatient covered services under the public hospital Certified Public Expenditures (CPE) payment method. See note 3(a) for discussion regarding this program.

The estimated settlement amounts for Medicare cost reports and CPE payments that are not considered final are included in payable to contractual agencies in the statements of net position.

(p) Classification of Revenues and Expenses

The Group's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues, such as patient service revenues and UWP billing revenues, net, result from exchange transactions associated with providing healthcare services – the Group's primary business. Exchange transactions are those in which each party to the transaction receives and gives up essentially equal values.

Operating expenses include all expenses, other than financing costs, incurred by the Group to provide healthcare services to the Group's patients.

Nonoperating revenues and expenses are recorded for nonexchange transactions. This includes investment income, donation income, interest expense, funding to and from affiliates of UW Medicine and the state, other federal and state funding, federal stimulus funding, equity earnings generated through investment in SCCA, and state appropriations.

(q) Net Patient Service Revenues

The Group has agreements with third-party payers, which provide for payments to the Group at amounts that differ from its established charges. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

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

(i) Medicare

Acute inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge based on Medicare severity diagnosis-related groupings (MS-DRGs), as well as reimbursements related to capital costs. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Payments for Medicare outpatient services are provided based upon a prospective payment system known as ambulatory payment classifications (APC). APC payments are prospectively established and may be greater than or less than the actual charges for services. The Medicare program utilizes the prospective payment system known as case mix group (CMG) for rehabilitation services reimbursement. As with MS-DRGs, CMG payments are prospectively established and may be greater than or less than the Group's actual charges for its services. Adult inpatient psychiatry services are also paid prospectively using a federal per diem payment rate adjusted for comorbidity and various other factors.

(ii) Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at approximate cost or at prospectively determined rates per discharge. Outpatient services rendered are paid based upon the APC prospective payment system. See note 3(a) for discussion surrounding the Medicaid CPE program.

(iii) Commercial

The Group has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Group under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(iv) Exchange (HIX)

Washington State Health Exchange entered into agreements with certain commercial insurance plans to provide patients access to healthcare services. The basis for payment to the Group under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(r) Financial Assistance

The Group provides care without charge to patients who meet certain criteria under its financial assistance policy. Records are maintained to identify and monitor the level of financial assistance provided. These records include charges foregone for services and supplies furnished under its financial assistance policy to the uninsured and the underinsured. Because the Group does not pursue collection of amounts determined to qualify as financial assistance, these are not reported as net patient service revenues. The charges associated with financial assistance provided by the Group were $58,283 and $66,045 for the years ended June 30, 2021 and 2020, respectively. The cost of financial assistance provided is calculated based on the Group’s aggregate relationship of costs to charges. The estimated cost of financial assistance provided for fiscal years ended June 30, 2021 and 2020 was $20,620 and $22,870, respectively.

(s) UWP Accounting for Billing and Collection Services

As a billing agent, UWP bills and collects patient accounts for the benefit of the School. As described in note 2(t), UWP’s billing revenues, by agreement, are limited to operating expenses incurred. Revenue recorded by UWP includes net billings processed on behalf of the School plus investment income and less amounts paid or due to the Clinical Medicine Fund (CMF) and departments.

Accounts receivable from patients, net of allowances for discounts, contractual adjustments, and collection losses are assets of the School. The following represents the estimated net patient accounts receivable for which UWP will pursue collection on behalf of the School as of June 30, 2021 and 2020, and are not reflected in the statements of net position:

(Dollar amounts in thousands)

	2021	2020
Accounts receivable (net of credit balances of $3,781 and $2,323, respectively)	$ 163,308	122,562
Estimated allowances for discounts, contractual adjustments, and collection losses	(101,865)	(73,447)
	$ 61,443	49,115

The amounts above exclude receivables related to services performed by certain nonmember healthcare professionals for related entities (Harborview and UW Medical Center) that are billed and collected by UWP as a billing agent. Cash collected on these accounts is remitted monthly to affiliates, net of billing service fees.

(Dollar amounts in thousands)

(t) UWP Billing Activity

As discussed in note 2(s), UWP acts as a billing agent for the School and, as such, collects cash for the benefit of the School. UWP's billing revenues, by agreement, are limited to the operating expenses incurred. A reconciliation of the net billing activity processed for the benefit of the School and investment income to revenue recognized by UWP is as follows:

		2021	2020
Net billings processed on behalf of the School:			
Professional fee revenue, net	$	450,550	378,303
Professional services supplemental payment		5,448	5,103
Provider access payment program		52,763	44,944
Meaningful use incentive payments		646	995
Billing reimbursement		832	922
		510,239	430,267
Investment income		27,131	1,066
Total net billings processed and investment income		537,370	431,333
Less:			
Amounts paid or due to affiliates		(2,713)	(2,336)
Amounts paid or due to Clinical Medicine Fund and departments		(167,656)	(102,569)
UWP billing revenues, net	$	367,001	326,428

Receipts collected by UWP are allocated and distributed in accordance with UWP's Income Distribution Plan. Allocations and distributions are calculated pursuant to the plan and the physicians' distributions, CMF, and departmental payables are recorded in the amounts due to the respective payable accounts.

The payables comprise the following at June 30:

		2021	2020
Physician Distribution	$	19,616	13,999
Clinical Medicine Fund and Department Payables		152,394	105,559
Total physician distribution, clinical medicine fund, and departmental payables	$	172,010	119,558

(u) Net Position

The Group's net position is classified in various components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding borrowings used to finance the purchase or construction of those assets. Expendable restricted net position consists of resources that the Group is legally or contractually obligated to expend in accordance with time or purpose restrictions placed by donors and/or external parties. Nonexpendable restricted net position, primarily endowments, represent gifts to the Group's permanent endowment funds, in which the donor or other external party has imposed a restriction that the corpus is not available for expenditure. Unrestricted net position is all other funds available to the Group for any purpose associated with its operations.

(v) Federal Income Taxes

UW Medical Center, Airlift, and UW Medicine Shared Services are divisions and/or departments of the University and are not subject to federal income tax under Section 115 of the Internal Revenue Code (IRC), except for unrelated business income tax. There are no significant tax obligations at June 30, 2021 and 2020.

Northwest Hospital, UWP, and Neighborhood Clinics are exempt from federal income tax under Section 501(c)(3) of the IRC, except for unrelated business income tax. There are no significant tax obligations at June 30, 2021 and 2020.

(w) Recently Adopted and Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which was effective for the fiscal year ending June 30, 2021, as amended by the issuance of Statement No. 95. This statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. Governments with activities meeting the criteria are required to present a statement of fiduciary net position and a statement of changes in fiduciary net position. Custodial assets held for three months or less are exempt from the reporting requirements. The Group adopted this statement in fiscal year 2021 and determined it did not have a material impact to the financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the fiscal year ending June 30, 2022, as amended by the issuance of Statement No. 95. This statement changes the current classification of lease arrangements as either operating or capital leases, and establishes a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This statement applies to contracts that convey the right to use a nonfinancial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees will be required to recognize a lease liability and an intangible right-to-use lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. At July 1, 2021, upon adoption of the statement, the Group expects to recognize lease liabilities and right-to-use lease assets of approximately $250,000 and $240,000, respectively, in the statements of net position. In addition, the Group expects to recognize lease receivables and deferred inflows of resources of approximately $30,000 and $28,000, respectively, in the statements of net position.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which will be effective for the fiscal year ending June 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will not be included in the capitalized cost of capital assets reported by the Group. This statement will be applied on a prospective basis, and interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated. The Group is currently analyzing the impact of this statement.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which was effective for the fiscal year ending June 30, 2021. This statement addresses a variety of topics, including specific provisions related to leases, certain intra-entity transfers between a primary government and a component unit's postretirement benefit plan, reporting of postemployment plan assets accumulated outside of a qualified trust, certain requirements related to fiduciary activities' postemployment benefit arrangements, measurement of asset retirement obligations resulting from a government acquisition, public entity risk pools, fair value measurements, and derivative instrument terminology. The Group adopted this statement in fiscal year 2021 and determined it did not have a material impact to the financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement defines an SBITA, establishes that an SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The Group is currently analyzing the impact of this Statement.

(x) Reclassifications

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

(3) Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as updated information becomes available and when final settlements are determined. In 2021 and 2020, net patient service revenues increased $6,856 and $6,054, respectively, relating to prior years' net Medicare and Medicaid settlements and revised estimates, including disproportionate share reimbursement and the CPE program.

(Dollar amounts in thousands)

The following are the components of net patient service revenues for the years ended June 30, 2021 and 2020:

		2021	2020
Gross patient service charges	$	4,609,989	4,141,709
Less adjustments to gross patient service charges:			
Contractual discounts		(2,766,716)	(2,441,813)
Financial assistance		(43,250)	(49,115)
Provision for uncollectible accounts		(22,634)	(17,238)
Total adjustments to gross patient service charges		(2,832,600)	(2,508,166)
Net patient service revenues	$	1,777,389	1,633,543

The Group grants credit without collateral to its patients, most of whom are Washington State residents and who are insured under third-party payer agreements. The mix of gross patient charges and gross receivables from significant third-party payers at June 30, 2021 and 2020 was as follows:

	2021	
	Patient service charges	Accounts receivable
Medicare	37 %	33 %
Medicaid	17	15
Commercial and other	43	47
Exchange (HIX)	2	2
Self-pay	1	3
Total	100 %	100 %

	2020	
	Patient service charges	Accounts receivable
Medicare	37 %	30 %
Medicaid	16	16
Commercial and other	44	48
Exchange (HIX)	2	2
Self-pay	1	4
Total	100 %	100 %

(Continued)

(a) Medicaid Certified Public Expenditure Reimbursement

UW Medical Center is reimbursed at the “full cost” of Medicaid inpatient covered services under the public hospital CPE payment method. “Full cost” payments are determined using the respective hospital’s Medicaid ratio of cost to charges to determine the cost for covered medically necessary services. The costs will be certified as actual expenditures by the hospital, and the State claims a federal match on the amount of the related certified public expenditures. According to the Centers for Medicare and Medicaid Services (CMS) approved Medicaid State Plan, participating hospitals receive only the federal match portion of the allowable costs. UW Medical Center recognized $24,445 and $18,808 in claims payments under this program for the years ended June 30, 2021 and 2020, respectively.

In addition, UW Medical Center receives the federal match portion of Disproportionate Share (DSH) payments, which is the lesser of qualifying Medicaid and financial assistance uncompensated care cost or the hospital’s specific limit. UW Medical Center recognized $39,800 and $34,177 in DSH funding under this program for the years ended June 30, 2021 and 2020, respectively.

Since the inception of the program, the Washington State Legislature (the State) has provided, through an annual budget proviso, a “hold harmless” provision for hospitals participating in the CPE program. Through this proviso, hospitals participating in the CPE program will receive no less in combined state and federal payments than they would have received under the previous payment methodology. In addition, the hold harmless provision ensures that participating hospitals receive DSH payments as specified in the legislation.

In the event of a shortfall between CPE program payments and the amount determined under the hold harmless provision, the difference is paid to the hospitals as a grant from state only funds. UW Medical Center did not recognize any amounts for state grants for the years ended June 30, 2021 and 2020. Claims payments, DSH payments, and state grant funds are included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

CPE payments are subject to retrospective determination of actual costs once UW Medical Center’s Medicare Cost Report is audited. CPE program payments are not considered final until retrospective cost reconciliation is complete, after UW Medical Center receives its Medicare Notice of Program Reimbursements for the corresponding cost reporting year.

Interim state grant payments are retrospectively reconciled to “hold harmless” after actual claims are repriced using the applicable DRG payment methodology. This process takes place approximately 12 months after the end of the fiscal year and results in either a payable to, or receivable from, the State Medicaid Program. UW Medical Center has estimated the expected final settlement amounts based on the difference between CPE payments received and the estimated hold harmless amount.

As of June 30, 2021 and 2020, UW Medical Center has an estimated payable for the CPE program of $39,560 and $25,283, respectively, which is recorded as a payable to contractual agencies in the statements of net position.

(b) Professional Services Supplemental Payment Program and Provider Access Payment

The professional services supplemental payment (PSSP) and provider access payment (PAP) are programs managed by the Washington State Healthcare Authority (HCA) and benefit certain public hospitals.

Under the program, UW Medical Center, Northwest Hospital, UWP, and Children's University Medical Group (CUMG) receive supplemental Medicaid payments for the physician and other professional services for which they bill. These supplemental payments equal the difference between the standard Medicaid reimbursement and the upper payment limit allowable by federal law. UW Medical Center and Harborview provide the nonfederal share of the supplemental payments that are used to obtain matching federal funds.

UW Medical Center recorded $12,659 and $9,908 for the years ended June 30, 2021 and 2020, respectively, in intergovernmental transfers (IGT) to HCA related to professional claims paid. This is included in funding to affiliates in the statements of revenues, expenses, and changes in net position. There is no requirement that UWP and CUMG PSSP and PAP payments be returned to UW Medical Center as a condition for making the IGT's.

UW Medical Center and Northwest Hospital recognized $2,088 and $2,578 in supplemental payments for the years ended June 30, 2021 and 2020, respectively. The payments are recorded in net patient service revenues in the statements of revenues, expenses, and changes in net position. UWP recognized $58,211 and $50,047 in supplemental payments for the years ended June 30, 2021 and 2020, respectively, for the benefit of the School and are reflected as part of revenues processed and amounts due to the CMF as shown in note 2(t).

PSSP and PAP funds received through the CMF are combined with other revenue used by the School for the central support of faculty costs. As a result, the School requires less funding from UW Medical Center. UW Medical Center clinical department funding is recorded in purchased services expense in the statements of revenues, expenses, and changes in net position and was reduced by $31,471 and $28,225 in fiscal years 2021 and 2020, respectively, due to the PSSP and PAP funds received by the School.

(c) Hospital Safety Net Program

The Hospital Safety Net Assessment Act (HSNA) uses Washington State funds obtained through an assessment levied on Prospective Payment System (PPS) hospitals and federal matching funds to increase Medicaid payments to hospitals. Under this program, PPS program hospitals are assessed a fee on all non-Medicare patient days.

Under the HSNA program, PPS hospitals receive supplemental Medicaid payments, Critical Access Hospitals receive disproportionate share payments, and CPE hospitals receive state grants. The program has an expiration date of June 30, 2023.

UW Medical Center is exempt from the assessment as the hospital is operated by an agency of the State government and also participates in the CPE program. UW Medical Center recognized grant funding related to the HSNA program of $5,955 and $4,455 for the years ended June 30, 2021 and

2020, respectively, which is recorded in other revenue in the statements of revenues, expenses, and changes in net position.

(4) Medicare Advanced Payments and Federal Stimulus Funding

In response to financial pressures brought on by the COVID-19 pandemic, the Group pursued additional sources of liquidity and financial recovery through various federal programs. The Group requested and received approval for six months of advance Medicare payments under CMS Medicare Advanced Payment Program (MAPP). The Group received $125,300 in fiscal year 2020. The advance Medicare funds are recovered by Medicare by offsetting paid claims until the full amount is recouped.

On September 30, 2020, a federal law was signed to extend the deadline for repayment under the Medicare Advanced Payment Program, which would give hospital providers one year from the date of the original advance before Medicare can begin to recover the advances and 29 months from the date of the original advance to fully repay the advanced payments without interest.

Medicare began recouping the Group's advanced payments in April 2021 and has recouped $16,511 as of June 30, 2021. The Group expects the advances to be fully repaid by fiscal year 2023. As of June 30, 2021 and 2020, the current portion of $95,525 and $125,300, respectively, is recorded within Medicare advanced payments in the accompanying statements of net position. The long-term portion of $13,264 and $0 is recorded in other noncurrent liabilities as of June 30, 2021 and 2020, respectively, in the statements of net position.

The federal government passed the Coronavirus Aid, Relief and Economic Security (CARES Act) Provider Relief Fund in March 2020. The Provider Relief Fund is distributing $175,000,000 to hospitals and healthcare providers to assist with the COVID-19 response. The Provider Relief Fund payments are to assist with expenses and lost revenues associated with lower volumes, cancelled procedures, and services associated with to COVID-19. Provider relief funds consisted of both general and targeted distributions. The Group received and recognized both types of distributions totaling $34,575 and $65,553 during the years ended June 30, 2021 and 2020, respectively, which is recorded within federal stimulus funding in the statements of revenues, expenses, and changes in net position.

(5) State Appropriation

An appropriation is made by the State to the University on a biennial basis, specifically designated by the State for the training of future healthcare professionals and to upgrade the skills of current practitioners. UW Medical Center is designated as a division of the major program "hospitals" included within the total appropriation. In fiscal year 2021, UW Medical Center was awarded a one-time state appropriation of $35,000 to partially cover lost revenues from the COVID-19 pandemic that would not be recovered by other funding. UW Medical Center recognized $44,034 and $9,314 for the fiscal years ended June 30, 2021 and 2020, respectively. UW Medical Center recognized $44,034 within other non operating, net for the fiscal year ended June 30, 2021. For the fiscal year ended June 30, 2020, UW Medical Center recognized $9,314 in other revenue.

(Dollar amounts in thousands)

(6) Capital Assets

The activity in the Group's capital asset and related accumulated depreciation accounts for the years ended June 30, 2021 and 2020 is set forth below:

	June 30, 2020	Additions	Transfers	Retirements	June 30, 2021
Capital assets, not being depreciated:					
Land	$ 10,817	—	—	—	10,817
Art	1,817	7	—	—	1,824
Construction in process	88,505	113,432	(135,438)	—	66,499
Total capital assets, not being depreciated	101,139	113,439	(135,438)	—	79,140
Capital assets, being depreciated:					
Land improvements	13,688	—	—	(20)	13,668
Buildings, renovations, and furnishings	959,762	15	4,029	(1,243)	962,563
Fixed equipment	167,133	—	934	(1,598)	166,469
Movable equipment	634,645	340	130,475	(4,721)	760,739
Total capital assets, being depreciated	1,775,228	355	135,438	(7,582)	1,903,439
Total capital assets at historical cost	1,876,367	113,794	—	(7,582)	1,982,579
Less accumulated depreciation for:					
Land improvements	(8,717)	(395)	—	20	(9,092)
Buildings, renovations, and furnishings	(481,723)	(31,073)	—	1,133	(511,663)
Fixed equipment	(133,296)	(4,766)	—	1,314	(136,748)
Movable equipment	(525,231)	(41,514)	(24)	4,189	(562,580)
Total accumulated depreciation	(1,148,967)	(77,748)	(24)	6,656	(1,220,083)
Total capital assets, net	$ 727,400	36,046	(24)	(926)	762,496

(Dollar amounts in thousands)

	June 30, 2019	Additions	Transfers	Retirements	June 30, 2020
Capital assets, not being depreciated:					
Land	$ 13,766	—	—	(2,949)	10,817
Art	1,760	57	—	—	1,817
Construction in process	51,737	90,429	(52,670)	(991)	88,505
Total capital assets, not being depreciated	67,263	90,486	(52,670)	(3,940)	101,139
Capital assets, being depreciated:					
Land improvements	14,347	—	—	(659)	13,688
Buildings, renovations, and furnishings	948,860	73	18,986	(8,157)	959,762
Fixed equipment	166,561	—	2,494	(1,922)	167,133
Movable equipment	715,288	253	31,190	(112,086)	634,645
Total capital assets, being depreciated	1,845,056	326	52,670	(122,824)	1,775,228
Total capital assets at historical cost	1,912,319	90,812	—	(126,764)	1,876,367
Less accumulated depreciation for:					
Land improvements	(8,937)	(402)	—	622	(8,717)
Buildings, renovations, and furnishings	(456,604)	(32,313)	—	7,194	(481,723)
Fixed equipment	(130,190)	(4,965)	—	1,859	(133,296)
Movable equipment	(592,378)	(44,074)	—	111,221	(525,231)
Total accumulated depreciation	(1,188,109)	(81,754)	—	120,896	(1,148,967)
Total capital assets, net	$ 724,210	9,058	—	(5,868)	727,400

Intangible assets, net of accumulated amortization of $106,822 and $9,329 as of June 30, 2021 and 2020, respectively, is included in movable equipment in the capital asset rollforwards.

(7) Investments

UWP's investments are held for the benefit of the School. UWP's board is responsible for the management of investments by establishing investment policies that are carried out by external investment managers approved by the board.

There are many factors that can affect the value of investments. Some, such as custodial risk, concentration of credit risk, and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to factors such as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

(Dollar amounts in thousands)

The composition of the carrying amounts of investments, by type, at June 30, 2021 and 2020, is as follows:

		2021	2020
Mutual funds – equity	$	125,197	92,194
Domestic corporate bonds		8,478	11,289
U.S. governmental agency securities		4,390	5,340
U.S. Treasury securities		5,477	3,019
Other		—	909
Total	$	143,542	112,751

(a) 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 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.

Investments subject to credit risk (as determined through a nationally recognized rating agency – Standard & Poor's) are presented in the table below:

	2021						
Investments		U.S. Government	Investment grade*	Not investment grade	Not rated	Total	Duration (in years)
Domestic corporate bonds	$	—	8,478	—	—	8,478	6.65
U.S. governmental agency		4,390	—	—	—	4,390	4.02
U.S. Treasury securities		5,477	—	—	—	5,477	8.19
	$	9,867	8,478	—	—	18,345	6.29

	2020						
Investments		U.S. Government	Investment grade*	Not investment grade	Not rated	Total	Duration (in years)
Domestic corporate bonds	$	—	11,289	—	—	11,289	6.23
U.S. governmental agency		5,340	—	—	—	5,340	2.58
U.S. Treasury securities		3,019	—	—	—	3,019	12.24
	$	8,359	11,289	—	—	19,648	7.02

* *Investment grade securities are those that are rated BBB and higher by Standard and Poor's.*

(Dollar amounts in thousands)

(b) Interest Rate Risk

The Group manages interest rate risk through construction of a broadly diversified portfolio that seeks to assume only the interest rate risk necessary to achieve the long-term goals in terms of investment returns. The Group does not make “tactical calls” with respect to the direction of interest rates. Therefore, the duration of the Group’s holdings is a by-product of risk/return targets, rather than the inverse.

(c) Fair Value Hierarchy

The following table sets forth, by level, within the fair value hierarchy, the Group’s investments carried at fair value as of June 30, 2021 and 2020:

		2021			
		Level 1	Level 2	Level 3	Total
Mutual funds	$	125,197	—	—	125,197
Domestic corporate bonds		—	8,478	—	8,478
U.S. governmental agency securities		—	4,390	—	4,390
U.S. Treasury securities		5,477	—	—	5,477
Total investments at fair value	$	130,674	12,868	—	143,542

		2020			
		Level 1	Level 2	Level 3	Total
Mutual funds	$	92,194	—	—	92,194
Domestic corporate bonds		—	11,289	—	11,289
U.S. governmental agency securities		—	5,340	—	5,340
U.S. Treasury securities		3,019	—	—	3,019
Other		909	—	—	909
Total investments at fair value	$	96,122	16,629	—	112,751

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income classified in Level 2 are valued using observable inputs, including quoted prices for similar securities and interest rates. Level 3 securities are valued using either discounted cash flow or market comparable techniques.

(Dollar amounts in thousands)

(d) Investment Income

Investment income includes both realized and unrealized gains and losses on 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 longer than the current reporting period and are sold in the current period include the net appreciation of these investments reported in the prior periods. UWP investment income is recorded in UWP billing revenues, net, as presented in note 2(t), however, the composition of UWP's investment income is included in amounts presented below. Investment income comprises the following at June 30, 2021 and 2020:

		2021	2020
Dividend and interest income	$	6,831	6,146
Net realized gains		4,032	2,460
Net unrealized gains (losses)		18,961	(5,127)
Total investment income	$	29,824	3,479

(8) Long-Term Debt

Long-term debt, reported as a part of noncurrent liabilities, consists of the following as of June 30, 2021 and 2020:

		2021	2020
UW Medical Center Internal Lending Program Debt:			
Expansion Project, 4.25% interest rate, through July 2046	$	244,365	252,474
All other debts, 4.04% to 4.96% interest rates, through December 2027		22,479	27,926
UW Medical Center note payable to the University, at 4.25% through December 2032, secured by an interest in UW Medical Center gross receivables and certain property and equipment		52,997	56,497
Childbirth Center, 4.25% interest rate, through July 2041		19,682	7,294
UW Medicine ITS Internal Lending Program Debt:			
D1 Project, 4.25% interest rate, through July 2034		110,121	45,636
UW Medical Center note payable at 4.65%, annual debt service including interest of $1,726 through July 2032; secured by a medical office building – direct borrowing		6,129	6,542
Neighborhood Clinics Paycheck Protection Program loan, at 1% interest deferred for six months, through 2022		5,293	5,293
Other notes payable		1,228	2,123
Total long-term debt		462,294	403,785
Less current portion		(31,212)	(18,318)
Total long-term debt, net of current portion	$	431,082	385,467

(Dollar amounts in thousands)

(a) Long-Term Debt Overview

(i) University Internal Lending Program

The Group periodically applies for and obtains financing through the University's ILP as it identifies borrowing needs. The ILP is an internal financing pool intended to lower the University's overall cost of capital and provide a predictable borrowing rate for borrowers within the University. These loans are funded through the issuance of General Revenue bonds and notes. The University's ILP program policies include a provision for a rate stabilization reserve and a provision for rate adjustments if necessary. Effective July 1, 2021, the ILP interest rate was reduced 25 basis points from 4.25% to 4.00%.

(ii) Neighborhood Clinics

On May 1, 2020, the Neighborhood Clinics were granted a loan from Bank of America, NA, in the amount of $5,293, pursuant to the Paycheck Protection Program (PPP). The PPP was established as part of the CARES Act and provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expense of the business. The loan was in the form of a promissory note dated May 1, 2020 and has an interest rate of 1.0% with a deferral of payments of the first six months. The maturity date is two years from the funding date of the loan. Since the promissory note was written, new guidance has been released from the Small Business Association (SBA) on the loan deferral time period. The loan is eligible for full forgiveness by the SBA if a forgiveness application is filed within 10 months of the last day of the covered period, which was submitted by the Neighborhood Clinics. The loan payments are deferred until the application deadline, as well as through the application review period. Once the application is reviewed, the loan is either forgiven or payments become due. On September 22, 2021, the Neighborhood Clinic's PPP loan forgiveness application was approved, and the loan was forgiven in full.

(b) Long-Term Debt Maturities

The following schedule shows debt service requirements, for the next five years and thereafter, as of June 30, 2021, for both principal and interest:

	Principal	Interest	Total
2022	$ 31,212	17,811	49,023
2023	27,198	17,068	44,266
2024	28,195	15,903	44,098
2025	25,133	14,692	39,825
2026	25,798	13,640	39,438
2027–2031	134,402	52,234	186,636
2032–2036	114,091	25,217	139,308
2037–2041	40,674	10,907	51,581
2042–2046	35,591	3,725	39,316
Total payments	$ 462,294	171,197	633,491

(Dollar amounts in thousands)

(c) *Changes in Long-Term Debt and Capital Leases*

Changes in long-term debt and capital leases during the fiscal years ended June 30, 2021 and 2020 are summarized below:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Due within one year
UW Medical Center ILP Debt:					
Expansion Project	$ 252,474	—	(8,109)	244,365	8,658
All other debts	27,926	—	(5,447)	22,479	5,688
Note payable – University	56,497	—	(3,500)	52,997	3,700
Childbirth Center	7,294	12,388	—	19,682	600
UW Medicine ITS ILP Debt	45,636	64,485	—	110,121	6,184
UW Medical Center Note Payable	6,542	—	(413)	6,129	433
Neighborhood Clinics PPP Loan	5,293	—	—	5,293	5,293
Other note payables and capital leases	2,123	—	(895)	1,228	656
Total long-term debt and noncurrent liabilities	$ 403,785	76,873	(18,364)	462,294	31,212

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Due within one year
UW Medical Center ILP Debt:					
Expansion Project	$ 260,059	—	(7,585)	252,474	8,109
All other debts	33,191	—	(5,265)	27,926	5,448
Note payable – University	59,533	—	(3,036)	56,497	3,500
Childbirth Center	2,183	5,111	—	7,294	—
UW Medicine ITS ILP Debt	4,926	40,710	—	45,636	—
UW Medical Center Note Payable	6,937	—	(395)	6,542	413
Neighborhood Clinics PPP Loan	—	5,293	—	5,293	—
Other note payables and capital leases	3,341	—	(1,218)	2,123	848
Total long-term debt and noncurrent liabilities	$ 370,170	51,114	(17,499)	403,785	18,318

(9) Risk Management

The Group is exposed to risk of loss related to professional, automobile and general liability, property loss and injuries to employees. UW Medical Center and Airlift participate in risk programs managed by the University to mitigate risk of loss related to these exposures. The other members of the Group mitigate risk of loss through a combination of participating in the liability risk program managed by the University and commercial insurance products. All of the entities participate in the professional liability program managed by the University.

The University's professional liability program currently includes self-insured and commercial reinsurance coverage components of which statutory self-insurance coverage is first dollar. The Group's annual contribution to the professional liability program funding is determined by UW Medicine Finance using information from an annual actuarial study conducted by the University administration. In addition to the University, the participants in the professional liability program include the Group, CUMG, School of Dentistry, the School, and Harborview. In addition to self-insurance fund contributions, the participants share in the expenses of the Clinical Risk Management Office. No claim liability is recorded on the Group's balance sheet for professional liability exposures.

The Group's contribution to the professional liability program was $31,665 and $15,578 in fiscal years 2021 and 2020, respectively, and is recorded in other operating expense in the statements of revenues, expenses, and changes in net position.

(10) Pension Plans

University employees can participate in the following state and University sponsored retirement benefit plans.

(a) University of Washington Retirement Plan

The University of Washington Retirement Plan (UWRP) (the 403(b)) is a defined-contribution plan administered by the University. All faculty and professional staff are eligible to participate in the plan. Contributions to UWRP 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 fund sponsors are available upon separation or retirement at the member's option. Revised Code of Washington (RCW) 28B.10.400 et. seq. assigns the authority to the University's Board of Regents to establish and amend benefit provisions.

Funding is determined by employee age and ranges from 5% to 10% of employee salary. Funding obligations are calculated at the University level and the University allocates expense to department, divisions, agencies, and component units through the benefit load rate.

Based on the University's benefit load apportionment, the Group incurred and paid $11,587 and $10,905 in fiscal years 2021 and 2020, respectively, related to annual UWRP funding, which is recorded in employee benefits expense in the statements of revenues, expenses, and changes in net position.

(b) Public Employees' Retirement System Pension Plans

The University offers several contributory pension plans administered by the Washington State Department of Retirement Systems (DRS). The Group has employees in the Public Employees' Retirement System (PERS) plan, which is a defined-benefit retirement plan.

(i) Plan Descriptions of the DRS Plans

PERS retirement benefit provisions are contained in chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system comprised of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined-benefit plans, and PERS Plan 3 is a defined-benefit plan with a defined-contribution component. PERS members include higher education employees not participating in other higher education retirement programs.

For accounting purposes, PERS is reported as three separate plans. Plan 1 accounts for the defined-benefits of Plan 1 members, Plan 2/3 accounts for the defined-benefits of Plan 2 and Plan 3 members, and Plan 3 accounts for the defined-contribution portion of Plan 3 members. The defined-benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund, and all assets of Plan 2/3 may legally be used to pay the defined-benefits of any of the Plan 2 or Plan 3 members or beneficiaries.

(ii) Vesting and Benefits Provided

PERS Plan 1

PERS Plan 1 provides retirement, disability, and death benefits. The plan is closed to new entrants. All members were vested after the completion of five years of eligible service. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest-paid consecutive service months. The retirement benefit may not exceed 60% of the AFC.

Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least 5 years of service. Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Other benefits include duty and nonduty disability payments, an optional cost-of living allowance (COLA), and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

PERS Plan 2/3

PERS Plan 2/3 provides retirement, disability and death benefits. PERS Plan 2 members are vested after completion of 5 years of eligible service. PERS Plan 3 members are vested in the defined-benefit portion of their plan after 10 years of service or after 5 years of service if 12 months are earned after age 44. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2, and 1% of AFC times the member's years of service for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit.

Members are eligible for retirement with a full benefit at age 65 with at least 5 years of service credit. Retirement before age 65 is considered early retirement. Members are eligible for early retirement with a reduced benefit at age 55 with at least 20 years of service credit. The benefit is reduced by a factor that varies according to age, for each year before age 65.

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, a COLA (based on the Consumer Price Index) capped at 3% annually, and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

(iii) Fiduciary Net Position

The pension plans' fiduciary net positions have been determined on the same basis as they are reported by the pension plans. DRS financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The retirement plans are accounted for in pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are earned. Employer contributions are recognized when due, and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due, and are payable in accordance with the terms of each plan.

(Dollar amounts in thousands)

RCW (Chapter 43.33 A) authorizes the Washington State Investment Board (WSIB) to have the investment management responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the statements of changes in fiduciary net position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

DRS publishes an annual report for retirement plans, which is available at: https://www.drs.wa.gov/administration/annual-report/.

(iv) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the Group. The professional judgments used in determining these assumptions are important and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on the Group’s financial statements.

The total pension liability for each DRS plan was determined by an actuarial valuation conducted by the Washington State Office of the State Actuary (OSA). The Group’s 2021 pension liability is based on an OSA valuation performed as of June 30, 2019, with the results rolled forward to the measurement date of June 30, 2020. The Group’s 2020 pension liability is based on an OSA valuation performed as of June 30, 2018, with the results rolled forward to the measurement date of June 30, 2019. The following actuarial assumptions have been applied to all prior periods included in the measurement:

	2021
Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increase	Expected to grow by promotions and longevity in addition to salary inflation assumption of 3.50%
Investment rate of return	7.40%

	2020
Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increase	Expected to grow by promotions and longevity in addition to salary inflation assumption of 3.50%
Investment rate of return	7.40%

For the June 30, 2019 valuation, mortality rates were based on the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions were based on the results of the 2013–2018 Experience Study Report and 2019 Economic Experience Study and the June 30, 2018 valuation were based on the results of the 2007–2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

For the June 30, 2018 valuation, mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of actuaries' Retirement Plans Experience Committee (RPEC). As recommended by the RPEC, the OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetimes. The actuarial assumptions used were based on the results of the 2007–2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the respective actuarial valuation reports.

The long-term expected rate of return on pension plan investments was determined by WSIB using a building block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

(Continued)

(Dollar amounts in thousands)

The long-term expected rate of return of 7.4% as of June 30, 2020 and 2019, approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or damper any short-term changes that are not expected over the entire 50-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for each pension plan are summarized in the following table:

	2021 (Measurement date: 2020)		2020 (Measurement date: 2019)	
	Target asset allocation	Long-term expected real rate of return arithmetic	Target asset allocation	Long-term expected real rate of return arithmetic
Asset class:				
Fixed income	20.0 %	2.2 %	20.0 %	2.2 %
Tangible assets	7.0	5.1	7.0	5.1
Real estate	18.0	5.8	18.0	5.8
Global equity	32.0	6.3	32.0	6.3
Private equity	23.0	9.3	23.0	9.3

The inflation components used to create the above table are 2.20% for both years and represent WSIB's most recent long-term estimate of broad economic inflation.

(v) *Discount Rate*

The discount rate used to measure the total pension liabilities was 7.40% as of June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1). Based on those assumptions, the fiduciary net position for each pension plan in which the Group participates was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.40% future investment rate of return on pension plan investments was assumed as of both June 30, 2020 and 2019. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1, as provided for in Chapter 41.45 of the RCW).

(Dollar amounts in thousands)

(vi) *Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following table presents the Group's net pension liability calculated using the discount rate of 7.40% as of June 30, 2020 and 2019, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.40%) or one-percentage-point greater (8.40%) than the current rate.

Discount Rate Sensitivity – Net Pension Liability (Asset)

	2021		
	1% Decrease	**Current discount rate**	**1% Increase**
Plan:			
PERS 1	$ 141,494	112,964	88,083
PERS 2/3	327,950	52,706	(173,958)

Discount Rate Sensitivity – Net Pension Liability (Asset)

	2020		
	1% Decrease	**Current discount rate**	**1% Increase**
Plan:			
PERS 1	$ 141,015	112,603	87,952
PERS 2/3	277,687	36,207	(161,945)

(vii) *Employer Contribution Rates*

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The contribution rates and required contributions for each PERS plan in which the Group participates are shown in the table below.

Description	**PERS Plan 1**	**PERS Plan 2/3**[i]
Contributions as June 30, 2021:		
Contribution rate	12.86 %	12.86 %
Contributions made	$ 27,424	44,601

(Dollar amounts in thousands)

Description		PERS Plan 1	PERS Plan 2/3[i]
Contributions as June 30, 2020:			
Contribution rate		12.83 %	12.83 %
Contributions made	$	23,189	37,965

i. Plan 2/3 employer rate includes a component to address the Plan 1 unfunded actuarial accrued liability.

(viii) The Group's Proportionate Share

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the Group as of June 30, 2021 was June 30, 2020. The measurement date for the net pension liabilities recorded by the Group as of June 30, 2020 was June 30, 2019. Employer contributions received and processed by DRS during the fiscal year ended June 30, 2020 and June 30, 2019 have been used as the basis for determining Schedules of Employer and Nonemployer Allocations. The Group's proportionate share for each DRS plan for the year ended June 30, 2021 and June 30, 2020 is shown in the table below.

	2021	2020
PERS 1	3.20 %	2.93 %
PERS 2/3	4.12	3.73

(ix) The Group Aggregated Balances

The Group's aggregated balances of net pension liabilities as of June 30, 2021 and 2020 are presented in the table below.

Plan		2021	2020
PERS 1	$	112,964	112,603
PERS 2/3		52,706	36,207
	$	165,670	148,810

(x) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The tables below summarize the Group's pension expense, deferred outflows of resources, and deferred inflows of resources related to the DRS pension plans, together with the related future year impacts to pension expense from amortization of those deferred amounts. Note that deferred outflows of resources related to the Group's contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year and are not amortized to pension expense.

(Dollar amounts in thousands)

		Proportionate share of pension expense		
Description		**PERS Plan 1**	**PERS Plan 2/3**	**Total**
June 30, 2021	$	16,656	7,188	23,844
June 30, 2020		5,296	10,092	15,388

Deferred Outflows of Resources

Description		**PERS 1**	**PERS 2/3**	**Total**
June 30, 2021:				
Change in assumptions	$	—	751	751
Difference between expected and actual experience		—	18,868	18,868
Change in the Group's proportionate share		—	9,662	9,662
The Group's contributions subsequent to the measurement date of the collective net pension liability [(a)]		27,424	44,601	72,025
Total	$	27,424	73,882	101,306

[(a)] Recognized as a reduction of the net pension liability as of June 30, 2022.

Deferred Outflows of Resources

Description		**PERS 1**	**PERS 2/3**	**Total**
June 30, 2020:				
Change in assumptions	$	—	927	927
Difference between expected and actual experience		—	10,373	10,373
Change in the Group's proportionate share		—	952	952
The Group's contributions subsequent to the measurement date of the collective net pension liability [(a)]		23,189	37,965	61,154
Total	$	23,189	50,217	73,406

[(a)] Recognized as a reduction of the net pension liability as of June 30, 2021.

(Dollar amounts in thousands)

Deferred Inflows of Resources

Description		PERS 1	PERS 2/3	Total
June 30, 2021:				
Difference between projected and actual earnings on plan investments, net	$	629	2,677	3,306
Difference between expected and actual experience		—	6,605	6,605
Change in assumptions		—	36,003	36,003
Total	$	629	45,285	45,914

Deferred Inflows of Resources

Description		PERS 1	PERS 2/3	Total
June 30, 2020:				
Difference between projected and actual earnings on plan investments, net	$	7,523	52,701	60,224
Difference between expected and actual experience		—	7,784	7,784
Change in assumptions		—	15,191	15,191
Total	$	7,523	75,676	83,199

Amounts reported as deferred outflows of resources, exclusive of contributions made after the measurement date, and deferred inflows of resources will be recognized in pension expense as follows:

		Amortization of deferred inflows and deferred outflows of resources [1]		
Year		PERS Plan 1	PERS Plan 2/3	Total
2022	$	(2,854)	(20,176)	(23,030)
2023		(90)	(3,533)	(3,623)
2024		871	2,631	3,502
2025		1,444	5,949	7,393
2026		—	(414)	(414)
Thereafter		—	(461)	(461)
Total	$	(629)	(16,004)	(16,633)

(1) Negative amounts shown in the table above represent a reduction of expense.

(Continued)

(Dollar amounts in thousands)

(c) University of Washington Supplemental Retirement Plan

(i) Plan Description

The University of Washington Supplemental Retirement Plan (UWSRP), a single-employer 401(a) defined-benefit retirement plan administered by the University, operates in tandem with the 403(b) plan to supplement the expected defined-contribution retirement savings accumulated under the UWRP. For purposes of measuring the June 30, 2021 net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the UWSRP and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported in the state of Washington's Annual Comprehensive Financial Report, which is available at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. The number of Group participants included in the plan are as follows:

	June 30	
	2021	**2020**
Active employees	448	538
Inactive employees receiving benefits	95	75
Inactive employees entitled to, but not receiving benefits	14	16

(ii) Vesting and Benefits Provided

UWSRP retirement benefit provisions are contained in RCW 28B.10.400, et. seq., which assigns the authority to establish and amend benefit provisions to the University of Washington Board of Regents. Members are eligible for calculation of a possible retirement benefit under this plan when they have reached age 62 and have 10 years of service with the University. Upon retirement, a calculation is performed that compares "goal income" to "assumed income" to determine if benefits have been earned under the plan.

Goal income is the product of a service factor multiplied by average monthly compensation and then by eligible years of participation. Average monthly compensation is defined as the average annual basic salary, not to exceed annual limits established by the IRC, paid to a participant for their highest 24 consecutive months of service.

Assumed income must be calculated by an independent actuary and represents a theoretical amount of monthly income that would have been generated if actual employee and University contributions to the UWRP had been allocated equally between fixed and variable dollar annuities.

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the fiscal years ended June 30, 2021 and 2020 were $858 and $730, respectively.

(iii) Employer Contributions

Legislation signed into law on July 1, 2020, created an employer contribution rate for the UWSRP. This rate is developed by the OSA in accordance with RCW 41.45, which provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The Group's contribution rate for the fiscal year ended June 30, 2021 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in the fiscal year ending June 30, 2021 were $626. Prior to fiscal year 2021 employer contributions were not required.

(iv) Plan Investments

The WSIB has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

UWSRP plan assets are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in note 3.B of the state of Washington's Annual Comprehensive Financial Report.

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. For the year ended June 30, 2021, the annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense, was 34.90 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

(v) Pension Liability

The University has set aside assets to pay UWSRP benefits which are not held in a qualified trust as defined by GASB. A qualified trust requires that contributions from employers be irrevocable, dedicated to providing pension benefits to plan members, and are legally protected from creditors of the employer and plan administrator. As a result, these assets are not reflected as a reduction of the total pension liability (TPL). The allocation method used to determine the Group's proportionate share of the University's TPL is based on its unit allocation of what is funded through the benefit load process. The proportionate share percentage for the Group was 8.81% and 8.77% as of June 30, 2021 and 2020, respectively.

(Continued)

(Dollar amounts in thousands)

The University has set aside $344,786 and $344,801 as of June 30, 2021 and 2020 to pay future UWSRP retiree benefits, of which the Group recorded $30,380 and $30,254, respectively, as other assets on its statements of net position.

Effective July 1, 2020 legislation signed into law created a trust arrangement for assets dedicated to paying UWSRP benefits to plan members. Contributions paid to and accumulated by DRS, in anticipation of this change, beginning January 1, 2012 were transferred into the trust when this legislation become effective. As a result, the University is now applying accounting guidance for single employer plans that have trusted assets and reports the pension liability net of plan assets as of June 30, 2021.

The components of the UWSRP pension liability were as follows:

Schedule of Changes in Net Pension Liability

	June 30, 2021		
	Total pension liability	Plan fiduciary net position	Net pension liability
Beginning balance	$ 68,600	5,349	63,251
Service cost	2,017	—	2,017
Interest on TPL	1,558	—	1,558
Difference between expected and actual experience	(32,835)	—	(32,835)
Change in assumptions	(19,678)	—	(19,678)
Employer contributions	—	626	(626)
Investment Income	—	1,963	(1,963)
Change in proportion	266	—	266
Benefit payments	(858)	—	(858)
Ending balance	$ 19,070	7,938	11,132

(Dollar amounts in thousands)

Schedule of Changes in Total Pension Liability

		June 30
		2020
Beginning balance	$	49,742
Service cost		1,466
Interest on TPL		1,865
Difference between expected and actual experience		2,757
Change in assumptions		11,121
Change in proportion		2,379
Benefit payments		(730)
Ending balance	$	68,600

The June 30, 2021 TPL is based on an actuarial valuation performed as of June 30, 2020, with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2021. The June 30, 2020 TPL is based on an actuarial valuation performed as of June 30, 2018, with update procedures performed to roll forward the TPL to the measurement date of June 30, 2020. Both valuations were prepared using the entry age actuarial cost method.

UWSRP pension expense for the fiscal years ended June 30, 2021 and 2020 was $(3,753) and $4,033, respectively, which is reported within employee benefits expense in the statements of revenues, expenses, and changes in net position.

(Dollar amounts in thousands)

(vi) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the University. The professional judgments used in determining these assumptions are important and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on the Group's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2021 and the TPL as of June 30, 2020.

	June 30	
	2021	**2020**
Inflation	2.75 %	2.75 %
Salary changes	4.00	4.25
Source of mortality assumptions	PubT.H-2010 tables, with the MP-2017 mortality improvement scale	RP-2000 Combined Healthy Table, with generational mortality improvements using Scale BB
Date of experience study	August 2021	April 2016
Discount rate	7.40 %	2.21 %
Change in the discount since prior measurement date	5.19 %	(1.29)%
Source of discount rate	2019 Report on Financial Condition and Economic Experience Study	Bond Buyer's 20 bond index as of June 30, 2020
Long-term expected rate of return on plan investments	7.40 %	N/A
NPL measurement at discount rate	$ 11,132	N/A
NPL discount rate increased 1%	9,365	N/A
NPL discount rate decreased 1%	13,188	N/A
TPL measurement at discount rate	N/A	$ 68,600
TPL discount rate increased 1%	N/A	59,567
TPL discount rate decreased 1%	N/A	79,576

Material assumption changes during the measurement periods ending June 30, 2021 and 2020 included updating the discount rate from 2.21% to 7.40% and from 3.50% to 2.21%, respectively, as well as updated investment assumptions. Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income," were significantly higher than expected for the measurement period ending June 30, 2021, but were lower than expected for the period ending June 30, 2020 (reflected as "Difference between expected and actual experience" in the Schedule of Changes in the UWSRP liability).

(Dollar amounts in thousands)

The long-term expected rate of return on pension plan investments was determined by the WSIB using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's CMAs. WSIB used the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs, and simulated investment returns provided by the WSIB in their selection of the rate.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

	Target asset allocation	**Long-term expected real rate of return arithmetic**
Asset class:		
Fixed income	20.0 %	2.2 %
Tangible assets	7.0	5.1
Real estate	18.0	5.8
Global equity	32.0	6.3
Private equity	23.0	9.3

(vii) *Deferred Outflows and Inflows of Resources*

The tables below summarize the Group's deferred outflows and inflows of resources related to the UWSRP as of June 30, 2021 and 2020, together with the related future year impacts to pension expense from amortization of those deferred amounts:

Deferred outflows of resources		**2021**	**2020**
Difference between expected and actual experience	$	7,677	9,144
Change in assumptions		11,356	13,450
Change in proportion		5,150	5,619
Total	$	24,183	28,213

(Dollar amounts in thousands)

Deferred inflows of resources		2021	2020
Difference between expected and actual experience	$	32,163	5,135
Change in assumptions		18,593	2,184
Net difference between projected and actual earnings on plan investments		1,233	—
Change in proportion		2,668	2,815
Total	$	54,657	10,134

Amortization of deferred outflows and inflows of resources [a]		
Year:		
2022	$	(5,236)
2023		(5,236)
2024		(5,236)
2025		(4,245)
2026		(3,304)
Thereafter		(7,217)
Total	$	(30,474)

[a] Negative amounts shown in the table above represent a reduction of expense.

(d) Other Postemployment Benefits

(i) Plan Description

OPEB are benefits provided to retired employees (and their spouses) beyond those provided by their pension plans. These programs for employees of the state of Washington are administered by the HCA. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine terms and conditions of employee and retired employee participation and coverage. Benefits provided by this single-employer defined-benefit OPEB plan include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. Retirees have access to all of these benefits, however medical, prescription drug and vision insurance comprise the bulk of the monetary assistance, or subsidies, provided by PEBB OPEB.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis.

(Dollar amounts in thousands)

Nevertheless, the actuarial assumptions used in the valuations presented in this note assume that this substantive plan will be carried forward into the future.

The HCA has two claim pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. For retirees, participating employers provide two different subsidies: an implicit subsidy and an explicit subsidy.

- The implicit subsidy, set up under RCW 41.05.022, is not a direct payment from the employer on behalf of the retiree. Retirees who are not yet eligible for Medicare benefits may currently continue to participate in the State's non-Medicare community-rated health insurance risk pool. Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums. Therefore, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. This results in an implicit subsidy since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.
- The explicit subsidy, permitted under RCW 41.05.085, is a straightforward, set dollar amount, which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The final amount is approved by the state Legislature. In calendar year 2021, the explicit subsidy was at $183 per member per month, and will remain $183 per member per month in calendar year 2022. In calendar year 2020, the explicit subsidy was at $168 per member per month.

The OPEB plan is currently available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire. PEBB member data used in the valuation of the OPEB liability include members enrolled in a PEBB program as well as other active employees who were eligible to enroll but waived coverage.

The table below shows the Group's PEBB membership data as of June 30, 2021 (measurement date 2020) and 2020 (measurement date 2019):

	2021	2020
Active employees	8,901	6,682
Inactive employees receiving benefits	2,449	1,799
Inactive employees entitled to, but not receiving, benefits	410	320

(ii) *Actuarial Assumptions*

Accounting requirements dictate the use of assumptions to best estimate the impact that OPEB obligations will have on the Group. The professional judgments used by the OSA in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant impact on the Group's financial statements. The following table shows significant assumptions used to measure the total OPEB liability (TOL) as of June 30, 2021 and 2020:

(Dollar amounts in thousands)

Significant Assumptions Used to Measure the Total OPEB Liability (TOL)

		June 30, 2021
Inflation		2.75 %
Healthcare cost trend rate		Trend rate assumption varies slightly by medical plan. Initial rate ranges from about 2–11%, reaching an ultimate rate approximately 4.3% in 2075.
Salary increase		3.50% plus service-based salary increases
Source of mortality assumptions		Society of Actuaries' Pub.H-2010 mortality rates with application of the long-term MP-2017 generational improvement scale, and updated based on results of the 2013–2018 Demographic Experience Study Report and the 2019 Report on Financial Condition Economic Experience Study.
Date of experience study		2013–2018 Demographic Experience Study Report
Discount rate		2.21 %
Source of discount rate		Bond Buyer's General Obligation 20-Bond index as of June 30, 2020 (Measurement Date)
Postretirement participation percentage		65.00 %
TOL measurement at discount rate	$	413,696
TOL discount rate increased 1%		345,807
TOL discount rate decreased 1%		500,883
TOL measurement at healthcare cost trend rate		413,696
TOL healthcare cost trend rate increased 1%		516,362
TOL healthcare cost trend rate decreased 1%		337,118

(Dollar amounts in thousands)

Significant Assumptions Used to Measure the Total OPEB Liability (TOL)

	June 30, 2020
Inflation	2.75 %
Healthcare cost trend rate	Trend rate assumption varies slightly by medical plan. Initial rate is 8.00%, reaching an ultimate rate of approximately 4.50% in 2080
Salary increase	3.50% plus service-based salary increases
Source of mortality assumptions	RP-2000 Combined Healthy Table and Combined Disabled Table, with future improvements in mortality projected using 100% scale BB and updated based on results of the 2007–2012 Experience Study Report
Date of experience study	2007–2012 Experience Study Report
Discount rate	3.50 %
Source of discount rate	Bond Buyer's General Obligation 20-Bond index as of June 30, 2019 (Measurement Date)
Postretirement participation percentage	65.00 %
TOL measurement at discount rate	$ 309,441
TOL discount rate increased 1%	258,737
TOL discount rate decreased 1%	374,723
TOL measurement at healthcare cost trend rate	309,441
TOL healthcare cost trend rate increased 1%	388,840
TOL healthcare cost trend rate decreased 1%	250,446

Material assumption changes during the measurement periods ending June 30, 2020 include updating the discount rate as of each measurement date, as required by GASB Statement No. 75. For the measurement period ending June 30, 2020, the discount rate used for the beginning TOL was 3.50% and a discount rate of 2.21% for the ending TOL resulting in an increase of the TOL.

Material assumption changes during the measurement periods ending June 30, 2019 include updating the discount rate as of each measurement date, as required by GASB Statement No. 75. For the measurement period ending June 30, 2019, the discount rate used for the beginning TOL was 3.87% and a discount rate of 3.50% for the ending TOL resulting in an increase of the TOL.

(Dollar amounts in thousands)

(iii) Changes in the Total OPEB Liability

The TOL for the state of Washington as of June 30, 2021 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020. The measurement date for the TOL as of June 30, 2021 was the same as the valuation date. The TOL for the state of Washington as of June 30, 2020 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2018, with the results rolled forward to the measurement date of June 30, 2019. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the University. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. The allocation method used to determine the Group's proportionate share of the University's TOL is the relationship of the Group's active, healthcare-eligible employee headcount to the corresponding University total. This proportionate share percentage for the Group was 24.39% and 20.07% as of June 30, 2021 and 2020, respectively.

The OPEB plan is funded on a pay-as-you-go basis. Accordingly, contributions from employers to the HCA occur only when benefits become due (after retirement). No qualified trust fund has been established or dedicated to these benefits and there are no associated assets. As a result, the Group reports a proportionate share of the University's total OPEB liability.

Schedule of Changes in Total OPEB Liability

		June 30	
		2021	**2020**
Beginning balance	$	309,441	280,069
Service cost		17,167	12,529
Interest		14,361	10,869
Difference between expected and actual experience		(2,201)	—
Change in assumptions		9,309	20,240
Benefit payments		(6,837)	(4,972)
Change in proportion		87,083	(9,294)
Other		(14,627)	—
Ending balance	$	413,696	309,441

(iv) OPEB Expense, Deferred Outflow of Resources and Deferred Inflow of Resources

The tables below summarize the Group's OPEB expense, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, together with the related future year impacts to OPEB expense from amortization of those deferred amounts. Note that deferred outflows of resources related to the Group's contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability in the following year, and are not amortized to OPEB expense. The Group's proportionate share of OPEB expense for the year ended June 30, 2021 and 2020 was $6,607 and $12,676, respectively.

(Dollar amounts in thousands)

The following table presents the deferred outflows of resources and deferred inflows of resources as of June 30, 2021 and 2020:

Deferred outflows of resources		2021	2020
Differences between expected and actual experience in the measurement of the total OPEB liability	$	9,076	8,263
Changes in proportion		125,844	12,218
Change in assumptions		28,447	17,991
Group’s contributions subsequent to the measurement date of the collective total OPEB liability		7,277	5,336
Total	$	170,644	43,808

Deferred inflows of resources		2021	2020
Differences between expected and actual experience in the measurement of the total OPEB liability	$	1,956	—
Change in assumptions		97,567	89,721
Changes in proportion		30,467	18,356
Total	$	129,990	108,077

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Amortization of Deferred Outflows and Inflows of Resources [a]		
Year:		
2022	$	3,709
2023		3,709
2024		3,709
2025		3,709
2026		3,709
Thereafter		14,832
Total	$	33,377

[a] Negative amounts shown in the table above represent a reduction of expense.

(11) Other Retirement Plans

(a) UWP Pension Plan

UWP has a mandatory, noncontributory defined-contribution pension plan, The Association of University Physicians Pension Plan (the Pension Plan). The Pension Plan covers all employees meeting service requirements and who are employed on a regular, permanent basis. UWP contributes an amount equal to 9% of eligible compensation for each participant under age 50 and 10% for each participant age 50 and older. Eligible compensation includes the Association annual salary, plus amounts paid under the Income Distribution Plan.

On termination of service due to death, disability, or retirement, a participant or beneficiary may elect to receive either a lump-sum distribution or an annuity to be paid in monthly installments over a fixed reasonable period of time, not exceeding life expectancy of the participant or designated beneficiary. For termination of service due to other reasons, a participant may elect the value of the vested interest in his or her account as a lump-sum distribution.

If a participant reaches normal retirement age (65), dies, or becomes disabled while employed by UWP, vesting is 100%. Additionally, under certain circumstances, individuals who transfer employment at UWP to employment by the University are also immediately vested. In the event of termination of employment for reasons other than retirement, death, disability or University transfer, participants are entitled to benefits, which start at 25% vested after two years of service, 50% vested after three years of service, 75% vested after four years of service and 100% vested after five years of service.

Total pension expense was approximately $17,945 and $17,077, net of forfeitures of $696 and $751 in fiscal years 2021 and 2020, respectively, and is recorded in employee benefits expense within the statements of revenues, expenses, and changes in net position. The Association had no liability outstanding for pension contributions at June 30, 2021 and 2020.

(b) Neighborhood Clinics 401(k) Retirement Plan

The Neighborhood Clinics offer a 401(k) Plan covering substantially all employees administered by the clinics. The Neighborhood Clinics make annual contributions of 6% of compensation, which starts at 25% vested after two years of service, 50% vested after three years of service, 75% vested after four years of service, and 100% vested after five years of service. Employer contributions were approximately $622 and $1,239 for the years ended June 30, 2021 and 2020 and forfeitures were approximately $226 and $272, respectively. In addition, the 401(k) Plan includes an employee self-elected deferral Plan. As a result of Neighborhood Clinics employees becoming University employees effective January 1, 2021, all contributions to the plan ceased and the plan was terminated effective January 15, 2021. All assets of the 401(k) Plan were distributed by May 31, 2021.

(12) Related Parties

The Group has engaged in a number of transactions with related parties. These transactions are recorded by the Group as either revenue or expense transactions because economic benefits are either provided or received by the Group. The Group records cash transfers from related parties that are nonexchange transactions as nonoperating revenue in the statements of revenues, expenses, and changes in net position.

(a) University of Washington

University divisions provide various levels of support to the Group. The following is a summary of services purchased:

(i) The School

The Group purchases a variety of clinical, administrative and teaching services from the School, which include laboratory services, resident programs, direct faculty salaries, and clinical department funding. The Group also provides laboratory services to the School. At June 30, 2021, the Group has a deposit of $40,135 that is being held on behalf of the School, which is included in due to related parties in the statements of net position. The amounts for these services are shown below (see (g)).

(ii) UW Medicine Central Costs

UW Medicine Central Costs represents services provided to the Group such as executive leadership, advancement, compliance, telemedicine, community relations staffing, medical staff oversight, marketing, and other administrative services related to UW Medicine. The amounts paid by the Group for these services are shown below (see (g)).

(iii) Other University Divisions

In addition to the divisions and transactions identified above, the Group purchases information technology services, general and professional liability insurance, printing, internal audit, and other administrative and operational services from other divisions of the University.

Northwest Hospital had a payable to the University that was assumed by UW Medical Center upon integration on January 1, 2020. The payable is subject to repayment in annual installments of $5,000 over future years, with installment payments of $0 and $3,333 made during the years ended June 30, 2021 and 2020, respectively. The University deferred the annual installment payment in April 2020 and throughout fiscal year 2021 due to financial pressures as a result of COVID-19. At June 30, 2021 and 2020, the payable balance to the University of $123,731 is included in due to related parties – long term in the statements of net position. The amounts for these transactions are shown below (see (g)).

(b) Harborview

The Group provides shared services, in the form of scalable administrative and IT support services, to Harborview. These functions include ITS, Revenue Cycle, UW Medicine Finance and Accounting, UW Medicine Supply Chain, UW Medicine Contracting as well as a number of other administrative functions. Additionally, the Group purchases rental space from Harborview. The amounts for these shared services transactions are shown below (see (g)).

(c) Seattle Cancer Care Alliance

SCCA operates a 20-bed inpatient hospital within UW Medical Center in which its adult inpatients receive care. The 20-bed hospital qualifies as a "hospital within a hospital" for Medicare reimbursement purposes. SCCA provides medical oversight and management of the inpatient hospital and the hospital is governed by its own board. Under arrangement, UW Medical Center provides certain of the inpatient care support services for the SCCA hospital, including necessary personnel, supplies, equipment, and ancillary services. UW Medical Center estimates the direct expense associated with the hospital within a hospital unit using a ratio of cost to charge ratio methodology, which is recorded in net patient service revenues in the statements of revenues, expenses, and changes in net position. In addition, UW Medical Center purchases certain administrative and program support services from the SCCA to assist with its programs. The amounts for these transactions are shown below (see (g)). At June 30, 2021 and 2020, the Group recorded $2,003 and $3,240, respectively, in accounts payable and accrued expenses in the statements of net position for amounts owed to the SCCA by the Group.

UW Medical Center also provides various services to the SCCA's outpatient facility, including certain pharmacy, laboratory, and pathology services, as well as purchasing and other administrative services, which are included in other revenue in the statements of revenues, expenses, and changes in net position. The amounts for these transactions are shown below (see (g)). At June 30, 2021 and 2020, the Group recorded $9,346 and $13,260, respectively, in other receivables in the statements of net position for amounts owed to the Group by SCCA.

(d) Fred Hutchinson Cancer Research Center (Fred Hutch)

UW Medical Center makes various payments to Fred Hutch related to research and development support, data collection and analysis, physician assistance services, consulting services, and license rights to use the Fred Hutch name in connection with the inpatient oncology services program. These fees are included in the tables below (see (g)). At June 30, 2021 and 2020, the Group recorded $3,102 and $3,595, respectively, in accounts payable and accrued expenses in the statement of net position for amounts owed to Fred Hutch by the Group. Additionally, the Group provides IT services and support for IT projects to Fred Hutch. The amounts for these transactions are shown below (see (g)).

(e) Children's University Medical Group

UWP provides various administrative services to CUMG, and billing support services when CUMG physicians provide clinical care to patients in UW Medicine facilities. CUMG also reimburses UWP for its share of legal services provided through the centralized legal office for support of the nonprofit entities, including UWP, the Neighborhood Clinics and CUMG. UWP bills CUMG for these services on a monthly basis. These amounts are included in the tables below (see (g)). Likewise, CUMG provides billing support services to UWP for UWP physicians providing clinical care to patients at the Seattle Children's Hospital (SCH).

(f) UW Neighborhood Clinics

Under an annual agreement, UW Medical Center and Harborview provide funding to the Neighborhood Clinics for operations and capital purposes. For the years ended June 30, 2021 and 2020, total funding from the UW Medicine hospitals to the Neighborhood Clinics was $51,664 and $53,256, respectively. Approximately $38,021 and $39,172, respectively, was provided from entities within the Group and was eliminated from these financial statements. The remaining portion related to Harborview is recorded as other revenue in the statements of revenues, expenses, and changes in net position. The amounts for these transactions are shown below (see (g)).

(Dollar amounts in thousands)

(g) Summary of Related Party Transactions

The Group's related party revenue and expense amounts are included in net patient service revenues, other revenue, salaries and wages, benefits, purchased services, and other expense in the statements of revenues, expenses, and changes in net position. The following table summarizes the related party revenue and expense transactions for the years ended June 30, 2021 and 2020:

(Expense) revenue transactions		2021	2020
Services and supplies purchased from the university and its departments and affiliates:			
The School	$	(227,956)	(213,383)
UW Medicine Central Costs		(22,775)	(19,768)
Other university divisions		(114,435)	(83,524)
Services and supplies purchased from Harborview		(6,201)	(6,288)
Services and supplies purchased from SCCA		(10,813)	(13,273)
Services and supplies purchased from Fred Hutch		(15,830)	(19,683)
Services and supplies provided to the University and its departments and affiliates:			
The School		8,105	8,660
Other University divisions		735	866
Services and supplies provided to Harborview		151,635	138,526
Services and supplies provided to SCCA		85,591	73,410
Services and supplies provided to VMC		4,577	2,695
Services and supplies provided to Fred Hutch		147	1,228
Services and supplies provided to CUMG		1,271	1,203
Services and supplies provided to SCH		1,161	2,045

As of June 30, 2021 and 2020, the Group had amounts due from or (due to) related parties for certain transactions as follows:

Due from related parties		2021	2020
The University and its departments and affiliates:			
The School	$	22,835	18,374
Other university divisions		1,003	1,226
Harborview		15,101	9,762
Fred Hutch		—	705

(Dollar amounts in thousands)

Due to related parties		2021	2020
The University and its departments and affiliates:			
The School	$	(60,183)	(31,109)
Other university divisions		(171,640)	(144,623)
Harborview		(8,366)	(6,493)

(h) State of Washington

The state of Washington Medicaid Transformation Program (MTP) program is a five-year contract between the State and CMS authorizing up to $1,500,000 in federal matching funds as incentive to promote innovative, sustainable, and systemic changes that improve the overall health of the State. HCA requested intergovernmental transfers from other state and local public entities to finance a portion of the nonfederal share. The Group recorded $57,280 and $44,665 in intergovernmental transfers to the State in fiscal years 2021 and 2020, respectively, which is included in funding to affiliates in the statements of revenues, expenses, and changes in net position.

The state of Washington submitted and received approval for incentive payments under the MTP program of which the Group received $71,600 and $55,832, in fiscal years 2021 and 2020, respectively, which is recorded in funding from affiliates in the statements of revenues, expenses, and changes in net position. Funds received through this program are not restricted in use.

(13) Commitments and Contingencies

(a) Operating Leases

The Group leases medical office space, aircraft hangar space, and equipment under operating lease arrangements. Total rental expense for fiscal years ended June 30, 2021 and 2020 for all operating leases was $61,278 and $59,893, respectively, which is recorded in other expenses in the statements of revenues, expenses, and changes in net position.

The following schedule shows future minimum lease payments for the Group, by fiscal year, as of June 30:

2022	$	46,385
2023		41,680
2024		30,771
2025		25,592
2026		13,701
2027-2031		37,524
2032-2036		9,612
2037-2041		6,051
2042-2046		2,622
Total	$	213,938

Airlift has entered into contractual arrangements for fixed-wing and rotary-wing aviation services covering eight primary and three back-up aircraft. The fixed-wing contract expires on April 30, 2023 and the rotary-wing contract expires on June 30, 2025, both of which are included in the future minimum lease payments table above.

(b) Purchase Commitments

The Group has current commitments at June 30, 2021 of approximately $24,089 related to various construction and other projects.

(c) Regulatory Environment

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, governmental healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Through its compliance program, the Group strives to maintain an effective and safe program for reporting and addressing potential regulatory concerns. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions known or unasserted at this time.

Between April 4 and April 12, 2018, the Washington State Department of Health, on behalf of the CMS, conducted a survey at UW Medical Center. In a letter dated May 15, 2018, CMS informed UW Medical Center that based on the results of the survey, UW Medical Center was not in compliance with certain Medicare Conditions of Participation. The deficiencies identified within the survey relate primarily to UW Medical Center's relationship with the SCCA inpatient hospital located within the same building as UW Medical Center, including related policies, clinical areas, support services, and personnel sharing between the two organizations. UW Medical Center submitted a Plan of Correction (the Plan) in response to the CMS survey findings, and CMS accepted the Plan on January 15, 2020. In September 2021, UW Medical Center was notified by Washington State Department of Health that they are in compliance with the Plan and no additional findings were identified.

(d) Litigation

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Group's financial statements.

(e) Collective Bargaining Agreements

The Group has approximately 76% of its workforce covered by collective bargaining agreements as of both June 30, 2021 and 2020. Nurses and other healthcare and support workers are represented by a number of collective bargaining units. Collective bargaining units have various contract expiration dates. Upon expiration of a collective bargaining agreement, both parties are obligated to continue to bargain in good faith until an agreement is reached or one year after the expiration date stated in the agreement.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Schedules of Required Supplementary Information

(Dollar amounts in thousands)

The schedules of required supplementary information below reflect information for UW Medicine Clinical Enterprise – UW Division.

Schedule of the Group's Proportionate Share of the Net Pension Liability
(Amounts determined as of the measurement date)

PERS 1 Pension Plan

	2021	2020	2019	2018	2017	2016
The Group's proportion of the net pension liability	3.20 %	2.93 %	2.93 %	2.96 %	2.89 %	2.81 %
The Group's proportionate share of the net pension liability	$ 112,964	112,603	130,636	139,899	155,096	147,106
The Group's covered-employee payroll	480,672	398,000	375,552	364,515	337,067	351,582
The Group's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.50 %	28.29 %	34.79 %	38.38 %	46.01 %	41.84 %
Plan fiduciary net position as a percentage of the total pension liability	68.64	67.12	63.22	61.24	57.03	59.10

PERS 2/3 Pension Plan

	2021	2020	2019	2018	2017	2016
The Group's proportion of the net pension liability	4.12 %	3.73 %	3.69 %	3.72 %	3.61 %	3.52 %
The Group's proportionate share of the net pension liability	$ 52,706	36,207	62,990	128,950	181,639	125,761
The Group's covered-employee payroll	480,376	398,530	374,817	363,873	336,961	312,289
The Group's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.97 %	9.09 %	16.81 %	35.44 %	53.91 %	40.27 %
Plan fiduciary net position as a percentage of the total pension liability	97.22	97.77	95.77	90.97	85.82	89.20

Schedule of the Group's Contributions
(Amounts determined as of the fiscal year end)

PERS 1 Pension Plan

	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 297	380	439	553	625	735
Contributions in relation to the contractually required contribution	297	380	440	551	618	735
Contribution deficiency (excess)	—	—	(1)	2	7	—
The Group's covered-employee payroll	561,965	480,672	398,000	375,552	364,515	337,067
Contributions as a percentage of covered-employee payroll	0.05 %	0.08 %	0.11 %	0.15 %	0.17 %	0.22 %

PERS 2/3 Pension Plan

	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 72,914	61,771	51,022	47,359	40,679	37,396
Contributions in relation to the contractually required contribution	72,917	61,803	50,999	47,404	40,721	37,740
Contribution deficiency (excess)	(3)	(32)	23	(45)	(42)	(344)
The Group's covered-employee payroll	563,141	480,376	398,530	374,817	363,873	336,961
Contributions as a percentage of covered-employee payroll	12.95 %	12.86 %	12.80 %	12.64 %	11.18 %	11.10 %

See accompanying independent auditors' report.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Schedules of Required Supplementary Information

(Dollar amounts in thousands)

The Schedules of Required Supplementary Information below reflect information for UW Medicine Clinical Enterprise – UW Division.

Schedule of Changes of Total OPEB Liability

		2021	2020	2019	2018
Beginning balance	$	309,441	280,069	306,185	336,283
Service cost		17,167	12,529	17,510	20,758
Interest		14,361	10,869	12,038	9,723
Difference between expected and actual experience		(2,201)	—	10,989	—
Change in assumptions		9,309	20,240	(76,658)	(47,429)
Benefit payments		(6,837)	(4,972)	(5,084)	(4,955)
Change in proportionate share		87,083	(9,294)	15,089	(8,195)
Other		(14,627)	—	—	—
Ending balance	$	413,696	309,441	280,069	306,185
OPEB covered-employee payroll	$	706,311	546,921	515,803	494,744
Total OPEB liability as percentage of covered-employee payroll		58.57 %	56.58 %	54.30 %	61.89 %

See accompanying independent auditors' report.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Schedules of Required Supplementary Information

(Dollar amounts in thousands)

The Schedules of Required Supplementary Information below reflect information for UW Medicine Clinical Enterprise – UW Division.

UWSRP Schedule of Changes of Net Pension Liability (NPL)

		2021
Total pension liability (TPL) – Beginning	$	68,600
Service cost		2,017
Interest on TPL		1,558
Change in proportion		266
Difference between expected and actual experience		(32,835)
Change in assumptions		(19,678)
Benefit payments		(858)
Net change in total pension liability		(49,530)
Total pension liability – Ending (a)		19,070
Plan fiduciary net position – Beginning		5,349
Employer contributions		626
Net investment income		1,963
Benefit payments		—
Administrative expense		—
Other changes		—
Net change in plan fiduciary net position		2,589
Plan fiduciary net position – Ending (b)		7,938
UWSRP net pension liability (a) minus (b)	$	11,132
Plan fiduciary net position as percentage of the total pension liability		41.63 %
The Group's UWSRP covered payroll [(1)]		152,720
Net pension liability as a percentage of covered-employee payroll		7.29 %

Schedule of the Group's Contributions

(Amounts determined as of the fiscal year end)

Contractually required contribution	$	580
Contributions in relation to the contractually required contribution		626
Contribution deficiency (excess)	$	(46)
The Group's UWSRP covered-employee payroll [(1)]		152,720
Contributions as a percentage of covered-employee payroll		0.41 %

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Schedules of Required Supplementary Information

(Dollar amounts in thousands)

The Schedules of Required Supplementary Information below reflect information for UW Medicine Clinical Enterprise – UW Division.

UWSRP Schedule of Changes in Total Pension Liability (TPL)

	2020	2019	2018	2017
Total pension liability – Beginning	$ 49,742	33,974	36,915	41,470
Service cost	1,466	990	1,218	1,674
Interest on TPL	1,865	1,363	1,328	1,270
Difference between expected and actual experience	2,757	8,601	(2,796)	(6,303)
Change in assumptions	11,121	4,875	(1,409)	(2,402)
Change in proportion	2,379	566	(777)	1,638
Benefit payments	(730)	(627)	(505)	(432)
Total pension liability – Ending	$ 68,600	49,742	33,974	36,915
The Group's UWSRP covered payroll [1]	$ 65,336	65,941	62,571	67,407
Total pension liability as percentage of covered-employee payroll	105.00 %	75.43 %	54.30 %	54.76 %

[1] Covered payroll for the fiscal year ending June 30, 2020 and preceding years is based on the payroll of the participants of the UWSRP.

See accompanying independent auditors' report.

Notes to Required Supplemental Information for the year ended June 30, 2021

Plans administered by DRS

OSA calculates the actuarially determined contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined in chapter 41.45 RCW. Consistent with the state's contribution-rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2017, valuation date, completed in the fall of 2018, determines the ADC for the period beginning July 1, 2019 and ending June 30, 2021.

Additional Considerations on ADC for All Plans:

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates could be different pending the actions of the governing bodies.

For cost-sharing plans, OSA calculates the contractually required contributions (CRC) using the same assumptions and methods as the ADC, except the CRC reflect the adopted contribution rates for the time period shown, which might differ from the contribution rates produced for the ADC.

Plans administered by the University

Washington State's House Bill 1661, effective July 1, 2020, created a trust arrangement for the UWSRP and resulted in the transfer of all funds previously contributed by the University into the account dedicated to paying benefits to plan's beneficiaries. This arrangement meets the criteria in GASB code P20, paragraph 101 and resulted in a significant change in the accounting for the plan.

Material assumption changes during the fiscal year 2021 measurement period includes updating the discount rate from 2.21% to 7.40% ("Change in assumption" which decreased the TPL). In addition, CREF investment experience during fiscal year 2021 was significantly higher than expected ("Difference between expected and actual experience" which also decreased the TPL).

In the fiscal year 2020, the UWSRP had no assets accumulated in a trust that meets the criteria in GASB code P20, paragraph 101 to pay related benefits.

Material assumption changes during the fiscal year 2020 measurement period include updating the GASB 73 discount rate from 3.50% to 2.21%, which increased the TPL. Additionally, CREF investment experience during fiscal year 2020 was lower than expected, leading to an increase in the TPL. TIAA investment experience only slightly deviated from OSA's assumption.

OPEB Plan administered by Healthcare Authority of Washington State

The OPEB Plan has no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

Material assumption changes in fiscal year 2021 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.50% for the June 30, 2019 measurement date, to 2.21% for the June 30, 2020 measurement date. This change resulted in an increase in the TOL.

Material assumption changes in fiscal year 2020 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.87% for the June 30, 2018 measurement date, to 3.50% for the June 30, 2019 measurement date. This change resulted in an increase in the TOL.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Combining Statement of Net Position

June 30, 2021

(Dollar amounts in thousands)

	UW Medical Center	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Current assets:							
Cash and cash equivalents	$ 2,295	51,495	10,767	4,324	—	—	68,881
Funds held by the University of Washington	128,151	—	—	19,863	63,183	—	211,197
Patient accounts receivable, net	275,382	—	2,195	10,020	—	—	287,597
Other receivables	21,747	485	2,121	1,157	929	—	26,439
Due from related parties	32,588	8,570	2,248	—	37,590	(42,057)	38,939
Supplies inventory	35,074	—	585	—	—	—	35,659
Restricted investments	—	32	—	—	—	—	32
Other current assets	11,223	12,405	55	364	10,616	(7,600)	27,063
Total current assets	506,460	72,987	17,971	35,728	112,318	(49,657)	695,807
Noncurrent assets:							
Capital assets, net of accumulated depreciation	607,327	1,242	9,979	2,884	141,064	—	762,496
Funds held by the University of Washington	246,352	—	—	—	—	—	246,352
Investments	—	143,510	—	—	—	—	143,510
Donor restricted assets	10,336	—	—	—	—	—	10,336
Investment in Seattle Cancer Care Alliance	259,279	—	—	—	—	—	259,279
Other assets	34,631	—	159	381	82,079	(55,967)	61,283
Total noncurrent assets	1,157,925	144,752	10,138	3,265	223,143	(55,967)	1,483,256
Total assets	1,664,385	217,739	28,109	38,993	335,461	(105,624)	2,179,063
Deferred outflows of resources:							
Deferred outflows of resources related to pensions	96,554	—	—	2,345	26,590	—	125,489
Deferred outflows of resources related to other postemployment benefits	132,161	—	—	2,387	36,096	—	170,644
Other deferred outflows of resources	4,555	—	—	—	—	—	4,555
Total assets and deferred outflows of resources	$ 1,897,655	217,739	28,109	43,725	398,147	(105,624)	2,479,751
Current liabilities:							
Accounts payable and accrued expenses	$ 56,808	4,742	480	2,223	35,799	—	100,052
Accrued salaries, wages, and employee benefits	82,187	1,414	2,633	1,872	29,744	—	117,850
Payable to contractual agencies	58,418	—	—	—	—	—	58,418
Due to related parties	51,012	22,661	5,782	3,706	60,118	(41,821)	101,458
Medicare advance payments	83,187	12,091	—	247	—	—	95,525
Current portion of long-term debt	19,659	—	5,369	—	6,184	—	31,212
Other current liabilities	3,260	3,158	368	801	16,984	(7,600)	16,971
Physician distribution, clinical medicine fund, and departmental payables	—	172,010	—	—	—	—	172,010
Total current liabilities	354,531	216,076	14,632	8,849	148,829	(49,421)	693,496
Noncurrent liabilities:							
Long-term debt, net of current portion	326,726	—	419	—	103,937	—	431,082
Pension liabilities	142,697	—	—	4,217	29,888	—	176,802
Other postemployment benefits	325,589	—	—	5,973	82,134	—	413,696
Due to related parties – long-term	178,273	—	—	—	—	(39,542)	138,731
Other noncurrent liabilities	18,524	1,663	3,001	—	60,441	(16,661)	66,968
Total liabilities	1,346,340	217,739	18,052	19,039	425,229	(105,624)	1,920,775
Deferred inflows of resources:							
Deferred inflows of resources related to pensions	63,890	—	—	1,818	34,863	—	100,571
Deferred inflows of resources related to other postemployment benefits	89,974	—	—	2,502	37,514	—	129,990
Net position:							
Net investment in capital assets	260,941	—	9,484	2,884	30,943	—	304,252
Nonexpendable, restricted	4,188	—	—	—	—	—	4,188
Expendable, restricted	6,148	—	—	—	—	—	6,148
Unrestricted	126,174	—	573	17,482	(130,402)	—	13,827
Total net position	397,451	—	10,057	20,366	(99,459)	—	328,415
Total liabilities, deferred inflows of resources, and net position	$ 1,897,655	217,739	28,109	43,725	398,147	(105,624)	2,479,751

See accompanying independent auditors' report.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Combining Statement of Net Position

June 30, 2020

(Dollar amounts in thousands)

	UW Medical Center	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Current assets:							
Cash and cash equivalents	$ 2,962	45,557	7,224	2,151	—	—	57,894
Funds held by the University of Washington	140,306	—	—	22,363	17,090	—	179,759
Patient accounts receivable, net	199,476	—	3,990	8,535	—	—	212,001
Other receivables	16,050	556	1,848	645	4,389	(4)	23,484
Due from related parties	29,087	343	487	—	26,618	(26,468)	30,067
Supplies inventory	30,237	—	673	—	—	—	30,910
Restricted investments	908	150	—	—	—	—	1,058
Other current assets	13,568	4,947	95	403	10,424	(9,939)	19,498
Total current assets	432,594	51,553	14,317	34,097	58,521	(36,411)	554,671
Noncurrent assets:							
Capital assets, net of accumulated depreciation	601,922	1,584	11,879	3,539	108,476	—	727,400
Funds held by the University of Washington	189,256	—	—	—	—	—	189,256
Investments	—	111,693	—	—	—	—	111,693
Donor restricted assets	7,785	—	—	—	—	—	7,785
Investment in Seattle Cancer Care Alliance	208,442	—	—	—	—	—	208,442
Other assets	33,167	—	179	426	39,565	(28,389)	44,948
Total noncurrent assets	1,040,572	113,277	12,058	3,965	148,041	(28,389)	1,289,524
Total assets	1,473,166	164,830	26,375	38,062	206,562	(64,800)	1,844,195
Deferred outflows of resources:							
Deferred outflows of resources related to pensions	72,404	—	—	2,563	26,652	—	101,619
Deferred outflows of resources related to other postemployment benefits	24,097	—	—	1,770	17,941	—	43,808
Other deferred outflows of resources	5,237	—	—	—	—	—	5,237
Total assets and deferred outflows of resources	$ 1,574,904	164,830	26,375	42,395	251,155	(64,800)	1,994,859
Current liabilities:							
Accounts payable and accrued expenses	$ 58,330	4,544	917	1,390	27,177	—	92,358
Accrued salaries, wages, and employee benefits	73,686	679	2,019	1,836	25,030	—	103,250
Payable to contractual agencies	44,298	—	—	—	—	—	44,298
Due to related parties	38,918	19,881	3,815	3,797	18,457	(26,374)	58,494
Medicare advance payments	110,000	15,300	—	—	—	—	125,300
Current portion of long-term debt	18,248	—	70	—	—	—	18,318
Other current liabilities	1,282	3,160	322	961	24,724	(9,939)	20,510
Physician distribution, clinical medicine fund, and departmental payables	—	119,558	—	—	—	—	119,558
Total current liabilities	344,762	163,122	7,143	7,984	95,388	(36,313)	582,086
Noncurrent liabilities:							
Long-term debt, net of current portion	334,043	—	5,788	—	45,636	—	385,467
Pension liabilities	154,033	—	—	5,310	58,067	—	217,410
Other postemployment benefits	228,262	—	—	5,838	75,341	—	309,441
Due to related parties – long term	137,549	—	—	—	—	(13,818)	123,731
Other noncurrent liabilities	4,643	1,708	3,039	—	59,051	(14,669)	53,772
Total liabilities	1,203,292	164,830	15,970	19,132	333,483	(64,800)	1,671,907
Deferred inflows of resources:							
Deferred inflows of resources related to pensions	72,001	—	—	2,443	18,889	—	93,333
Deferred inflows of resources related to other postemployment benefits	79,764	—	—	2,028	26,285	—	108,077
Net position:							
Net investment in capital assets	249,631	—	11,314	3,539	62,840	—	327,324
Nonexpendable, restricted	4,171	—	—	—	—	—	4,171
Expendable, restricted	3,614	—	—	—	—	—	3,614
Unrestricted	(37,569)	—	(909)	15,253	(190,342)	—	(213,567)
Total net position	219,847	—	10,405	18,792	(127,502)	—	121,542
Total liabilities, deferred inflows of resources, and net position	$ 1,574,904	164,830	26,375	42,395	251,155	(64,800)	1,994,859

See accompanying independent auditors' report.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2021

(Dollar amounts in thousands)

	UW Medical Center	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Operating revenue:							
Net patient service revenues	$ 1,725,111	—	—	52,278	—	—	1,777,389
UWP billing revenues, net	—	371,386	—	—	—	(4,385)	367,001
Other revenue	181,918	—	69,708	1,354	378,267	(309,121)	322,126
Total operating revenues	1,907,029	371,386	69,708	53,632	378,267	(313,506)	2,466,516
Operating expenses:							
Salaries and wages	593,124	220,802	22,127	14,632	148,787	—	999,472
Employee benefits	155,604	28,709	7,561	3,499	36,312	—	231,685
Other postemployment benefits	5,200	—	—	95	1,312	—	6,607
Purchased services	542,576	64,032	26,240	29,790	127,968	(281,297)	509,309
Supplies	463,211	84	5,419	2,288	7,534	(3,551)	474,985
Other	54,309	60,346	8,933	2,634	20,839	(28,617)	118,444
Depreciation	53,359	357	1,604	915	21,513	—	77,748
Total operating expenses	1,867,383	374,330	71,884	53,853	364,265	(313,465)	2,418,250
Income (loss) from operations	39,646	(2,944)	(2,176)	(221)	14,002	(41)	48,266
Nonoperating revenues (expenses):							
Investment income	2,667	—	—	26	—	—	2,693
Interest expense	(15,655)	—	(40)	—	(3,825)	—	(19,520)
Funding to affiliates	(15,169)	—	—	—	(57,227)	2,154	(70,242)
Funding from affiliates	—	—	—	—	74,038	(954)	73,084
Federal stimulus funding	32,006	2,569	—	—	—	—	34,575
Equity earnings from Investment in Seattle Cancer Care Alliance	50,837	—	—	—	—	—	50,837
Other, net	56,184	375	368	1,694	(1,628)	41	57,034
Nonoperating revenues (expenses), net	110,870	2,944	328	1,720	11,358	1,241	128,461
Income (loss) before capital contributions and other transfers	150,516	—	(1,848)	1,499	25,360	1,200	176,727
Capital contributions and other transfers	27,088	—	1,500	75	2,683	(1,200)	30,146
Increase (decrease) in net position	177,604	—	(348)	1,574	28,043	—	206,873
Net position – beginning of the year	219,847	—	10,405	18,792	(127,502)	—	121,542
Net position – end of year	$ 397,451	—	10,057	20,366	(99,459)	—	328,415

See accompanying independent auditors' report.

UW MEDICINE CLINICAL ENTERPRISE – UW DIVISION

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

(Dollar amounts in thousands)

	UW Medical Center	Northwest Hospital[1]	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Operating revenue:								
Net patient service revenues	$ 1,419,262	169,554	—	—	45,151	—	(424)	1,633,543
UWP billing revenues, net	—	—	334,424	—	—	—	(7,996)	326,428
Other revenue	135,560	8,917	—	68,844	1,491	338,974	(274,258)	279,528
Total operating revenues	1,554,822	178,471	334,424	68,844	46,642	338,974	(282,678)	2,239,499
Operating expenses:								
Salaries and wages	494,824	88,249	224,741	21,827	14,704	137,764	—	982,109
Employee benefits	134,101	20,754	31,014	7,938	4,346	41,229	—	239,382
Other postemployment benefits	9,299	—	—	—	238	3,139	—	12,676
Purchased services	484,464	48,689	43,953	25,891	29,044	105,865	(260,734)	477,172
Supplies	379,912	34,379	464	4,996	2,442	10,829	(3,556)	429,466
Other	38,412	15,823	39,442	8,991	2,632	18,439	(18,348)	105,391
Depreciation	52,623	6,633	350	1,827	1,132	19,189	—	81,754
Total operating expenses	1,593,635	214,527	339,964	71,470	54,538	336,454	(282,638)	2,327,950
(Loss) income from operations	(38,813)	(36,056)	(5,540)	(2,626)	(7,896)	2,520	(40)	(88,451)
Nonoperating revenues (expenses):								
Investment income	1,356	1,051	—	—	6	—	—	2,413
Interest expense	(14,792)	(1,746)	—	(45)	—	(1,354)	—	(17,937)
Funding to affiliates	(11,106)	—	—	—	—	(58,149)	16,738	(52,517)
Funding from affiliates	11,481	3,172	—	—	—	58,522	(15,738)	57,437
Federal stimulus funding	58,923	—	5,540	—	1,090	—	—	65,553
Equity earnings from Investment in Seattle Cancer Care Alliance	25,062	—	—	—		—	—	25,062
Other, net	3,685	(172)	—	873	193	(3,094)	40	1,525
Nonoperating revenues (expenses), net	74,609	2,305	5,540	828	1,289	(4,075)	1,040	81,536
Income (loss) before capital contributions and other transfers	35,796	(33,751)	—	(1,798)	(6,607)	(1,555)	1,000	(6,915)
Capital contributions and other transfers	5,713	158	—	1,250	—	—	(1,000)	6,121
Increase (decrease) in net position	41,509	(33,593)	—	(548)	(6,607)	(1,555)	—	(794)
Net position – beginning of the year	208,944	2,987	—	10,953	25,399	(125,947)	—	122,336
Transfer of net position	(30,606)	30,606	—	—	—	—	—	—
Net position – end of year	$ 219,847	—	—	10,405	18,792	(127,502)	—	121,542

[1] Northwest Hospital represents six months of activity through December 31, 2019. Effective January 1, 2020, results of the Northwest campus are included in UW Medical Center.

See accompanying independent auditors' report.

University of Washington Metropolitan Tract

Financial Statements
Years Ended June 30, 2021 and 2020

University of Washington Metropolitan Tract

Financial Statements
Years Ended June 30, 2021 and 2020

Contents

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Independent Auditor's Report

To the Board of Regents
University of Washington
Seattle, Washington

Opinion

We have audited the financial statements of the University of Washington Metropolitan Tract, a department of the University of Washington, which comprise the statements of net position as of June 30, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University of Washington Metropolitan Tract as of June 30, 2021 and 2020, and the changes in its financial net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance

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with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The details of property on page 22 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

BDO USA, LLP

October 4, 2021

Financial Statements

University of Washington Metropolitan Tract

Statements of Net Position
(Amounts in Thousands)

Years Ended June 30,		2021		2020
Assets				
Current Assets				
Cash held in trust	$	4,468	$	5,907
Funds held by the University		68,234		74,197
Security deposits - residential		46		51
Due from Fairmont Olympic Hotel		265		712
Accounts receivable, net of allowance		1,560		1,043
Other current assets		430		401
Total Current Assets		75,003		82,311
Property, net		144,537		129,358
Long-term receivable		2,570		-
Straight-line rent adjustment		18,565		15,103
Total Assets	$	240,675	$	226,772
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	$	7,971	$	3,925
Leasehold excise tax payable		1,665		1,472
Security deposits - residential		46		51
Unearned rent revenue		2,168		1,600
Current portion of long-term debt		811		796
Total Current Liabilities		12,661		7,844
Security deposits - commercial		3,722		5,366
Long-term debt, net of current portion		28,146		28,957
Total Liabilities		44,529		42,167
Net Position				
Invested in Capital Assets, net of related debt		115,580		99,605
Unrestricted		80,566		85,000
Total Net Position		196,146		184,605
Total Liabilities and Net Position	$	240,675	$	226,772

See accompanying notes to financial statements.

University of Washington Metropolitan Tract

Statements of Revenues, Expenses, and Changes in Net Position
(Amounts in Thousands)

Years Ended June 30,	2021	2020
Operating Revenues		
Office rent	$ 50,698	$ 52,394
Fairmont Olympic Hotel rent	4,205	5,229
Retail rent	3,322	2,772
Residential rent	2,779	3,121
Parking	1,112	3,330
Rainier Square rent	967	607
Other rent	576	576
Other income	2,678	101
Total Operating Revenues	66,337	68,130
Operating Expenses		
Property operating expenses	12,664	13,913
Taxes	10,647	6,093
General and administrative	6,460	6,509
Property management	2,133	2,254
Total Operating Expenses	31,904	28,769
Operating Income before Depreciation	34,433	39,361
Depreciation	11,837	12,798
Net Operating Income	22,596	26,563
Other Revenues (Expenses)		
Gain on disposal of property	13	-
Interest expense	(1,005)	(1,020)
Total Other Expenses	(992)	(1,020)
Net Income	21,604	25,543
Transfers		
Transfers from UW Real Estate Office	937	770
Distribution to UW Facilities Bond Retirement Account	(11,000)	(10,000)
Total Transfers	(10,063)	(9,230)
Change in Net Position	11,541	16,313
Total Net Position, beginning of year	184,605	168,292
Total Net Position, end of year	$ 196,146	$ 184,605

See accompanying notes to financial statements.

University of Washington Metropolitan Tract

Statements of Cash Flows
(Amounts in Thousands)

Years Ended June 30,		2021		2020
Cash Flows from Operating Activities				
Cash received from tenants	$	**60,808**	$	66,844
Payments made to vendors		**(16,571)**		(18,249)
Payments made to the University to reimburse for employees		**(3,133)**		(3,149)
Payments for leasehold excise taxes		**(10,454)**		(6,424)
Net Cash Flows from Operating Activities		**30,650**		39,022
Cash Flows for Capital and Related Financing Activities				
Improvements made to long-lived assets		**(26,188)**		(23,735)
Principal repayments to University Treasury Department		**(796)**		(781)
Interest paid		**(1,005)**		(1,020)
Net Cash Flows for Capital and Related Financing Activities		**(27,989)**		(25,536)
Cash Flows for Noncapital Financing Activities				
Funds received from UW Real Estate Office		**937**		770
Distribution to UW Facilities Bond Retirement Account		**(11,000)**		(10,000)
Net Cash Flows for Noncapital Financing Activities		**(10,063)**		(9,230)
Net Change in Cash		**(7,402)**		4,256
Cash, beginning of year		**80,104**		75,848
Cash, end of year	$	**72,702**	$	80,104
Cash in the Statements of Cash Flows is Reported in the Statements of Assets, Liabilities, and Net Position as Follows:				
Cash held in trust	$	**4,468**	$	5,907
Funds held by the University		**68,234**		74,197
Total	$	**72,702**	$	80,104

See accompanying notes to financial statements.

University of Washington Metropolitan Tract

Statements of Cash Flows
(Amounts in Thousands)

Years Ended June 30,		2021		2020
Reconciliation of Net Operating Income to Net				
Cash Flows from Operating Activities:				
Net operating income	$	**22,595**	$	26,563
Adjustments to reconcile net operating income to				
net cash flows from operating activities:				
Depreciation		**11,837**		12,798
Gain on disposal of property		**(14)**		-
Changes in operating assets and liabilities:				
Security deposits - residential		**5**		4
Due from Fairmont Olympic Hotel		**447**		1,461
Accounts receivable		**(3,087)**		(646)
Other current assets		**(29)**		64
Straight-line rent adjustment		**(3,462)**		(2,451)
Accounts payable and accrued expenses		**3,246**		(724)
Leasehold excise tax payable		**193**		(331)
Unearned rent revenue		**568**		346
Security deposits payable (residential and commercial)		**(1,649)**		1,938
Net Cash Flows from Operating Activities	$	**30,650**	$	39,022

Noncash Activity				
Purchase of improvements not paid for with cash at year-end	$	**814**	$	2,091

See accompanying notes to financial statements.

1. Metropolitan Tract Ownership and Operation

The University of Washington Metropolitan Tract (the “Metropolitan Tract”), located in downtown Seattle, comprises approximately 11 acres of developed property including office space, retail space, residential apartments, parking, and a luxury hotel. This land was the original site of the University of Washington (“the University”) from 1861 until 1895 when the University moved to its present location on Lake Washington. Since the early 1900s, the University manages the Metropolitan Tract by leasing to third-party tenants and leasing ground to entities responsible for developing and operating new buildings.

The University owns the Rainier Tower, Financial Center, IBM Building, Skinner Building, and Puget Sound Plaza. The buildings include approximately 1.6 million square feet of office space and 100,000 square feet of retail space located at street level. The Financial Center and IBM Building have underground parking garages and the Puget Sound Plaza is connected to a multi-level parking structure also owned by the University. The University also owns the 91-unit Cobb apartment building.

In 2014, the University entered into a property management agreement with Unico Properties LLC (“Unico”) to manage all of the office buildings, except the Rainier Tower, and the Cobb Building. Unico subcontracts with Blanton Turner, a residential property manager, to manage the Cobb Building. Wright Runstad Limited Partnership, an entity controlled by Wright Runstad Company (“Wright Runstad”), was contracted to manage the Rainer Tower due to its proximity to the Rainier Square Site (see below and Note 7).

The University contracted with Unico to perform leasing services for all of the office properties on the Metropolitan Tract.

Rainier Square Site

The Rainier Square was a three-story building completed in 1980 and consisted of 112,000 square feet of retail space. The property underperformed, and in the early 2000s, it was deemed a development site. In May 2014, the University entered into an agreement with WRC Fourth Avenue LLC (“WRC”), an entity controlled by Wright Runstad, to redevelop the Rainier Square Site (“the Predevelopment Agreement”). The Predevelopment Agreement commenced on November 1, 2014, and provided WRC the rights to enter into two separate ground leases on the Rainier Square Site with the University, a hotel ground lease, and a mixed use office/residential tower ground lease. On September 12, 2017, the University signed a ground lease with RSQ Tower LLC (an entity controlled by Wright Runstad) (the “RSQ Tower Lease”), which resulted in the demolition of the original Rainier Square building and the commencement of the development of a 58-story mixed use retail, office, and residential building called the Rainier Square Tower (see Note 7). On September 30, 2019, the University signed a ground lease with WRC 400 University LLC, (an entity controlled by Wright Runstad)(the “400 University Lease”), which commenced on January 1, 2020. An 11-story office building (“400 University”) was constructed on the site and was substantially completed in July 2021. The Predevelopment Agreement expired upon execution of the 400 University Lease.

Fairmont Olympic Hotel

On January 18, 1980, the Board of Regents entered into a lease (the “Hotel Lease”) with the Olympic Hotel property (including a garage) that expires 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 managed by Fairmont Hotels and Resorts, Inc. On September 18, 2007, Legacy REIT, a publicly traded Canadian real estate investment trust and parent company of LHCS Hotel Holding (2002), LLC, was purchased by Cadbridge Investors, LP, a limited partnership majority owned by Cadim (a division of the Caisse de depot et placement du Quebec). The Hotel Lease tenant and management remained the same. On June 1, 2015, the University consented to the assignment of the Hotel Lease from LHCS Hotel Holding (2002), LLC to IC/RCDP Seattle Hotel, an entity owned by affiliates of Cadim, Rockwood IX REIT, Inc., and an affiliate of DiNapoli Capital Partners, LLC.

In May 2019, the University renewed the Hotel Lease with the current tenant by amending and restating the lease with a new expiration date of June 30, 2075. In September 2020, the lease was amended to extend the expiration date to June 30, 2083. The garage premises expiration date remains September 30, 2040. The new lease preserves the same rent structure while updating terminology and benchmarks commensurate to the contemporary hotel industry. In addition, the new lease requires substantial upfront renovations as well as establishes a clear framework for periodic capital improvements in the hotel over time. The amended and restated lease did not impact the financial statements of the Metropolitan Tract.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements present only the financial position and changes in financial net position of the Metropolitan Tract and do not purport to, and do not, present the financial position of the University of Washington or the changes in its financial net position, including its net pension obligations (and other post-retirement benefit obligations) and related deferred inflows and outflows. The financial statements have been prepared in accordance with governmental accounting principles generally accepted in the United States of America. The financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Significant revenue recognition and related expense policies are as follows:

- Office, retail, and residential revenues are recognized (on a straight-line basis) each month based on tenant leases in place. Certain rents are also based on a percentage of sales and are charged in addition to base rent.

- Hotel rent comprises minimum monthly payments as calculated under the Hotel Lease, in addition to a percentage of tenant revenues as calculated at the end of the calendar year. There have been no significant adjustments from the estimated amount recognized and actual amounts calculated at the end of each lease year. Due to the significant loss of hotel revenue caused by the COVID-19 pandemic that started in March 2020, management of the Metropolitan Tract estimates ground rent from the Hotel Lease will equal the minimum rent established in the lease for the year ended June 30, 2021.

- Parking revenues are recognized based on tenant leases in place or as spaces are occupied.

- During the years ended June 30, 2021 and 2020, rent revenues from ground leases were recognized (on a straight-line basis) each month as outlined in the RSQ Tower Lease and the 400 University Lease.

- Direct operating expenses related to the properties, including utilities, repairs and maintenance, and security and janitorial costs, are reported as property operating expenses.

- Expenses incurred in the management of the property, including contractual payments, are reported as property management.

- All other indirect expenses not related to the direct operating or property management expenses are recorded as general and administrative.

- Non-operating revenue and expenses are activities that are not related to rental activities, including interest income and interest expense.

Cash Held in Trust

Cash held in trust represents operating cash held in financial institutions for various properties on behalf of the University. Cash balances held in the trust and other cash balances may exceed federally insured limits during the year.

Funds Held by the University

Funds held by the University are funds invested in pooled investments with the University. The University combines most short-term available cash balances from various departments into the invested funds pool, which is primarily composed of U.S. government and agency securities, mortgage rated investments, and asset-backed securities, as well as units in the Consolidated Endowment Fund (“CEF”), which is a diversified investment fund. The underlying investments in the CEF include emerging market equity securities, developed market equity securities, and fixed income securities.

The University may allocate investment earnings on an annual basis to the departments with qualifying funds in the invested funds pool based on relative amounts invested at a rate determined and approved by the University. For the years ended June 30, 2021 and 2020, the rate determined by the University was zero for both years. Principal amounts invested in the pool are guaranteed by the University.

Security Deposits

Security deposits – residential consists of amounts collected by the Metropolitan Tract from residential tenants in the Cobb Building as security in the event of a lease default. These deposits are required to be retained and segregated from the Metropolitan Tract’s operating cash. There are no such requirements for security deposits received by commercial tenants.

In lieu of a security deposit, commercial tenants are permitted to obtain letters of credit to serve as their security deposit. At June 30, 2021 and 2020, these letters of credit amounted to $1,121 thousand and $842 thousand, respectively.

Accounts Receivable

Accounts receivable are due from tenants for rent and other reimbursements. The Metropolitan Tract considers all accounts greater than 90 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is generally written off against the allowance. These receivables are generally unsecured and do not bear interest. At June 30, 2021 and 2020, the balance of allowance for uncollectible accounts amounted to $266 thousand and $392 thousand, respectively.

Long-term Receivable

Long-term receivable are amounts due from tenants for certain property tax assessments to be recovered over 20 years (see Note 9).

Due from Fairmont Olympic Hotel

Amounts due from the Fairmont Olympic Hotel consist primarily of leasehold improvement taxes and rent.

Straight Line Rent Adjustment

Many commercial and residential leases contain fixed escalations of the minimum annual lease payment during the original term of the lease. Therefore, rental income is recognized on the straight-line basis over the lease term. The difference between rental income recognized and the amount that is a current receivable is recorded as a straight-line rent adjustment.

Property and Depreciation

Land and buildings are recorded at the appraised values as of November 1, 1954, with subsequent additions at cost, when the assets are placed in service. Tenant and building improvements that have not yet been placed in service as of year-end are recorded as construction in progress (“CIP”) and are expected to be completed within the next year. Improvements costing over $5 thousand with a useful life greater than one year are capitalized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets generally ranging from 50-60 years, and modernizations are depreciated over the estimated useful lives of 20 years. Tenant improvements are depreciated over the term of the related lease.

The Metropolitan Tract reviews long lived assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable. There were no such impairments during the years ended June 30, 2021 or 2020.

Leasehold Excise Tax Payable

Leasehold excise tax (“LET”) is payable on a quarterly basis to the State of Washington. The current liability represents taxes collected on contract rent, as defined by the Washington State Department of Revenue, during April to June of 2021 and 2020.

Net Position

The Metropolitan Tract's net position is presented as net investment in capital assets, with the remainder considered unrestricted net position. Capital assets consist of land, building, modernizations, furniture, fixtures and equipment, and CIP. The related debt is debt issued to support the acquisition and construction of capital assets and is subtracted from the capital asset balance to arrive at the net investment in capital assets. Unrestricted assets include assets that have no restrictions placed on them, as well as assets that have been internally restricted, if any.

Unearned Rent Revenue

Tenant rent payments received in advance are deferred until the period to which the payments relate.

Transfer from UW Real Estate Office

This amount represents funds that were transferred from the University's Real Estate Office to the Metropolitan Tract.

Distribution to UW Facilities Bond Retirement Account

During the years ended June 30, 2021 and 2020, $11 million and $10 million, respectively were distributed from the Metropolitan Tract to the University's Facilities Bond Retirement Account. The distribution is determined annually based on cash available after consideration of future operating and capital expenses, and adequacy of reserves.

Property Management Fees

Property management fees are included with operating expenses and represent costs paid to Unico, Wright Runstad, and Blanton Turner for services rendered on the properties. The fees are based on a percentage of tenant rent recognized at each property. Total fees paid to Unico and Wright Runstad were $357 thousand and $251 thousand, respectively, for the year ended June 30, 2021. Total fees paid to Unico and Wright Runstad were $421 thousand and $251 thousand, respectively, for the year ended June 30, 2020. Blanton Turner serves as a sub-contractor to Unico for the Cobb Building under the University's property management agreement with Unico.

Lease Commissions

Lease commissions are costs paid to commercial real estate brokers that facilitate the execution of tenant leases. These commissions are expensed as incurred and are included with general and administrative expenses on the statements of revenues, expenses, and changes in net position.

Income Taxes

As part of the University, the Metropolitan Tract is exempt from federal income taxes unless it earns unrelated business income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

3. Property

Property activity for the years ended June 30, 2021 and 2020, is summarized as follows (amounts in thousands):

Year Ended June 30, 2020	Balance at June 30, 2020	Additions	Transfers and Adjustments	Disposals and Other	Balance at June 30, 2021
Property, not being depreciated					
Land	$ 9,974	$ -	$ -	$ -	$ 9,974
Construction in progress	21,106	26,804	(36,296)	-	11,614
Total Property Not Being Depreciated	31,080	26,804	(36,296)	-	21,588
Property, being depreciated					
Land improvements	793	-	-	-	793
Buildings	77,877	-	-	-	77,877
Tenant improvements	75,735	-	9,303	(4,155)	80,883
Modernizations	147,819	198	26,993	(65)	174,945
Furniture, fixtures, and equipment	538	-	-	(13)	525
Total Property Being Depreciated	302,762	198	36,296	(4,233)	335,023
Less: Accumulated Depreciation					
Land improvements	793	-	-	-	793
Buildings	65,674	70	-	(31)	65,713
Tenant improvements	59,172	5,053	-	(4,148)	60,077
Modernizations	78,690	6,663	-	(60)	85,293
Furniture, fixtures, and equipment	155	51	-	(8)	198
Total Accumulated Depreciation	204,484	11,837	-	(4,247)	212,074
Property, net	$ 129,358	$ 15,165	$ -	$ 14	$ 144,537

Year Ended June 30, 2019	Balance at June 30, 2019	Additions	Transfers and Adjustments	Disposals and Other	Balance at June 30, 2020
Property, not being depreciated					
Land	$ 9,974	$ -	$ -	$ -	$ 9,974
Construction in progress	5,351	25,712	(9,957)	-	21,106
Total Property Not Being Depreciated	15,325	25,712	(9,957)	-	31,080
Property, being depreciated					
Land improvements	793	-	-	-	793
Buildings	77,877	-	-	-	77,877
Tenant improvements	71,061	24	4,650	-	75,735
Modernizations	142,556	46	5,217	-	147,819
Furniture, fixtures, and equipment	404	44	90	-	538
Total Property Being Depreciated	292,691	114	9,957	-	302,762
Less: Accumulated Depreciation					
Land improvements	793	-	-	-	793
Buildings	64,388	1,286	-	-	65,674
Tenant improvements	54,184	4,988	-	-	59,172
Modernizations	72,203	6,487	-	-	78,690
Furniture, fixtures, and equipment	118	37	-	-	155
Total Accumulated Depreciation	191,686	12,798	-	-	204,484
Property, net	$ 116,330	$ 13,028	$ -	$ -	$ 129,358

4. Long-Term Debt

In 2014, the University's Treasury Department issued general revenue bonds, which provided $33.6 million to the Metropolitan Tract and financed the acquisition of the Cobb Building from Unico. The outstanding balance as of June 30, 2021 and 2020, was $29.0 million and $29.8 million, respectively. The effective interest rate over the 30-year term of the loan is 3.49% and the loan matures in December 2044. The loan is unsecured but is expected to be repaid through revenues generated by the Metropolitan Tract properties.

Long-term liability activity is summarized as follows (amounts in thousands):

Years Ended June 30,	**2021**	2020
Beginning Balance	**$ 29,753**	$ 30,534
Reductions	**(796)**	(781)
Total	**28,957**	29,753
Less: Current Portion	**(811)**	(796)
Non-Current Portion	**$ 28,146**	$ 28,957

The following is a summary of future payments (principal and interest) to be paid to the University (amounts in thousands):

Years Ending June 30,	Principal	Interest	Total
2022	$ 811	$ 985	$ 1,796
2023	831	965	1,796
2024	855	944	1,799
2025	875	920	1,795
2026	905	894	1,799
2027 - 2031	4,984	4,001	8,985
2032 - 2036	5,911	3,087	8,998
2037 - 2041	7,090	1,916	9,006
2042 - 2045	6,695	508	7,203
	$ 28,957	$ 14,220	$ 43,177

5. Future Minimum Rent

Minimum future rental income under noncancelable lease agreements with various commercial (office and retail) and residential tenants is as follows (amounts in thousands):

Years Ending June 30,	
2022	$ 47,921
2023	44,487
2024	40,158
2025	35,959
2026	32,005
Thereafter	72,144
	$ 272,674

The base rental income on the Fairmont Olympic Hotel is subject to change on an annual basis as set forth in the lease. At the end of each lease year, the annual rent is adjusted for a percentage of revenues, not below an annual minimum of $3.5 million.

Minimum future rental income under the Hotel Lease is as follows (amounts in thousands):

Years Ending June 30,	
2022	$ 3,500
2023	3,500
2024	3,500
2025	3,500
2026	3,500
Thereafter	199,500
	$ 217,000

6. Related Party Transactions

The University rents office space in the Metropolitan Tract, and the leases expire at various dates through 2021. The amounts paid for the years ended June 30, 2021 and 2020, were $1.5 million and $3.1 million, respectively.

7. Rainier Square Site Redevelopment

RSQ Tower Lease

The RSQ Tower Lease commenced on September 12, 2017, and the existing Rainier Square building was demolished during the year ended June 30, 2018. The RSQ Tower's office portion was completed in December 2020 and the residential portion was completed in June 2021.

The RSQ Tower Lease has an 80-year term, required RSQ Tower LLC to complete development of the approved building in four years, is unsubordinated, and requires minimum ground rent during construction and 8% of adjusted gross revenue from the project thereafter. Minimum rents for the first five years of the lease are to be $413 thousand per lease year, increasing to $1,652 thousand per year for the next five lease years, and continuing after, and adjusted each tenth lease year to 60% of the average annual percentage rents for the previous five lease years, added to the minimum rent payment (beginning with $1,652 thousand). Expected minimum rents are as follows (amounts in thousands):

Years Ending June 30,		
2022	$	413
2023		1,446
2024		1,652
2025		1,652
2026		1,652
Thereafter		117,580
	$	124,395

In connection with the RSQ Tower Lease, the University executed an Operating Agreement with RSQ Tower LLC that regulates how the Rainier Tower and the lessees of the Rainier Square Tower and the 400 University Building will operate the shared mixed-use space on the Rainier Square block.

400 University

The 400 University Lease commenced on January 1, 2020, with a 77-year term expiring September 7, 2097. The lease required WRC 400 University LLC to complete development of the approved 11-story office building in three years and is unsubordinated. Minimum ground rent during the three lease years is $250,000, $375,000, and $500,000. Upon completion of the building, ground rent converts to the greater of minimum rent or 10% of adjusted gross revenue from the project.

Expected minimum rents are as follows (amounts in thousands).

Years Ending June 30,		
2022	$	438
2023		506
2024		519
2025		532
2026		545
Thereafter		107,278
	$	109,818

8. COVID-19 and Government Programs

On January 30, 2020, the World Health Organization (WHO) announce a global health emergency originating outside the United States of America (the COVID-19 outbreak). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in global exposure.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act, 2021 bill which included additional economic stimulus and COVID-19 outbreak related relief including additional Paycheck Protection Program funds and expansion of the Employment Retention Credit.

The COVID-19 pandemic has created disruption in the global supply chains adversely impacting many industries, including the office, retail, residential and hotel sectors in which our tenants operate. The COVID-19 pandemic could have a material adverse impact on the economic and market conditions and trigger a period of global economic slowdown. Although most tenants are current on rent, further disruptions may impact future leasing and the collectability of rent from affected tenants.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Metropolitan Tract's financial condition and future results of operations. Given the evolution of the COVID-19 pandemic and the global responses to curb its spread, the Metropolitan Tract is not able to estimate the effects of the COVID-19 pandemic on its results of operations, financial condition, or liquidity for fiscal year 2022.

9. City of Seattle Waterfront Local Improvement District (LID)

As part of the City of Seattle (City) waterfront transformation program, the City Council established a LID in 2019 to fund the program. The Metropolitan Tract properties are within the LID. In June 2021, the City passed an ordinance confirming the final assessment roll resulting in the University being assessed approximately $4.5 million. The assessment payment period is 20 years with a discounted prepayment option permitted by August 2021. The University prepaid the assessment in August 2021 at the discounted amount of $4.2 million. For the year ended June 30, 2021, approximately $4.2 million was recognized as tax expense in the statements of revenues, expenses, and changes in net position, and is included in accounts payable and accrued expenses in the statement of net position at June 30, 2021.

A certain portion of the assessment is recoverable through contracted leasing arrangements. For the year ended June 30, 2021, approximately $2.5 million was recognized in other income in the statements of revenue, expenses, and changes in net position, and is recorded as a long-term receivable in the statement of net position at June 30, 2021.

10. Subsequent Events

Management of the Metropolitan Tract has evaluated subsequent events through the date of these financial statements were available to be issued, which was October 4, 2021.

Supplementary Information

University of Washington Metropolitan Tract

Details of Property
(Amounts in Thousands)

June 30, 2021	Cobb Building	Skinner Building	Puget Sound Plaza	IBM Building	Rainier Tower	Financial Center	Fairmont Olympic Hotel	Fairmont Olympic Garage	Total
Buildings, Tenant Improvements, and Modernizations									
Buildings	$ 752	$ 2,037	$ 9,113	$ 8,413	$ 25,252	$ 16,984	$ 12,535	$ 2,791	$ 77,877
Tenant improvements	-	8,180	14,771	12,954	30,225	14,753			80,883
Modernizations	44,021	24,760	24,648	17,010	46,425	18,081			174,945
Construction in progress	33	4,738	1,498	2,541	2,701	103			11,614
Furniture, fixtures, and equipment	354	3	11	17	95	45			525
Total Buildings, Tenant Improvements, and Modernizations	45,160	39,718	50,041	40,935	104,698	49,966	12,535	2,791	345,844
Less: Accumulated Depreciation and Amortization									
Buildings	(752)	(2,037)	(9,113)	(8,413)	(18,729)	(13,729)	(10,289)	(2,651)	(65,713)
Tenant improvements	-	(7,651)	(11,021)	(10,145)	(20,983)	(10,277)			(60,077)
Modernizations	(16,087)	(16,130)	(14,752)	(11,607)	(15,245)	(11,472)			(85,293)
Furniture, fixtures, and equipment	(121)	(2)	(7)	(12)	(17)	(39)			(198)
Total Accumulated Depreciation and Amortization	(16,960)	(25,820)	(34,893)	(30,177)	(54,974)	(35,517)	(10,289)	(2,651)	(211,281)
Net Investment	$ 28,200	$ 13,898	$ 15,148	$ 10,758	$ 49,724	$ 14,449	$ 2,246	$ 140	134,563
Land									9,974
Land improvements									793
Less: Accumulated depreciation									(793)
Net Land and Land Improvements									9,974
Net Investment Including Land and Land Improvements									$ 144,537

Student Services and Facilities Fees - Seattle Campus

Administered by the Division of Student Life of the University of Washington

Statements of Cash Receipts, Cash Disbursements, and Changes in Cash Balances

Years Ended June 30, 2021 and 2020

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Student Services and Facilities Fees - Seattle Campus

Administered by the Division of Student Life of the University of Washington

Statements of Cash Receipts, Cash Disbursements, and Changes in Cash Balances
Years Ended June 30, 2021 and 2020

Contents

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Independent Auditor's Report

To the Board of Regents
University of Washington
Seattle, Washington

Opinion

We have audited the statements of cash receipts, cash disbursements, and changes in cash balances of Student Services and Facilities Fees – Seattle Campus administered by the Division of Student Life of the University of Washington (Student Services and Facilities Fees), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts, cash disbursements, and changes in cash balances of Student Services and Facilities Fees – Seattle Campus administered by the Division of Student Life of the University of Washington as of and for the years ended June 30, 2021 and 2020, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Student Services and Facilities Fees' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

December 21, 2021

Financial Statements

Student Services and Facilities Fees – Seattle Campus
Administered by the Division of Student Life of the University of Washington

Statements of Cash Receipts, Cash Disbursements, and Changes in Cash Balances

As of and for the Year Ended June 30,	**2021**	2020
Total Cash Receipts	$ **31,911,219**	$ 31,235,948
Debt Service		
Principal - ILP - IMA Bonds	**(2,091,667)**	(1,992,083)
Principal - ILP - Student Facilities Renovation	**(2,817,436)**	(2,626,897)
Interest - ILP - IMA Bonds	**(1,329,333)**	(1,428,938)
Interest - ILP - Student Facilities Renovation	**(4,265,202)**	(4,596,006)
Total Debt Service Payments	**(10,503,638)**	(10,643,924)
Cash Receipts Available after Debt Service	**21,407,581**	20,592,024
Other Cash Disbursements		
Hall Health Center	**6,415,060**	6,615,060
Recreation	**3,562,929**	2,946,748
Student Parent Resource Center	**1,678,548**	1,386,972
Student Activities and Union Facilities	**1,389,720**	1,303,863
Associated Students of the University of Washington	**1,136,876**	1,084,820
Ethnic Cultural Center and Theatre Complex	**1,076,669**	1,052,117
Student Counseling Center	**972,699**	938,930
Graduate and Professional Student Senate	**572,546**	442,498
Q-Center	**452,356**	406,787
Student Publications	**437,965**	341,000
Campus Sustainability Fund	**371,000**	336,404
Student Legal Services	**346,478**	295,743
Classroom Support Services	**318,296**	174,506
Peer Health Education Group	**209,764**	161,160
D-Center	**195,380**	139,999
Student Veteran Life	**167,174**	124,184
Intellectual House	**145,653**	109,235
Services and Activities Committee Operations	**141,670**	35,303
Food Pantry	**35,004**	34,065
Total Other Cash Disbursements	**19,625,787**	17,929,394
Excess of cash receipts over cash disbursements before transfers	**1,781,794**	2,662,630
Transfers		
Transfer to Recreation for capital projects	**(3,000,000)**	(250,000)
Change in Cash Balances	**(1,218,206)**	2,412,630
Cash Balance, beginning of year	**30,579,274**	28,166,644
Cash Balance, end of year	$ **29,361,068**	$ 30,579,274

See accompanying notes to financial statements.

1. Organization and Significant Accounting Policies

Organization

The Division of Student Life (Student Life) is a unit within the University of Washington (the University) and is responsible for a variety of programs, services, facilities, and operations supporting the student experience on campus, including, but not limited to, housing, food services, recreational sports programs, student government, the Husky Union Building, student conduct, counseling, health and wellness, disability resources, career services, student publications, fraternity and sorority life, the Q-Center, the D-Center, student veterans, ceremonies, Hall Health Center, and the University's police department. Student Life administers the allocation and expenditure of certain fees collected from students on the Seattle campus called "Student Services and Facilities Fees." Student Services and Facilities Fees are a portion of the total fees collected from students. Student Services and Facilities Fees include Services and Activities Fees, Intramural Bond Fees, and Student Facilities Renovation Fees.

The Student Services and Facilities Fees are first used to pay debt service on current and future bonds, and debt obtained from the University's Internal Lending Program, and are then used to support programs recommended by the Services and Activities Fee Committee (SAF Committee) and approved by the Board of Regents of the University (the Board of Regents). The Services and Activities Fees are student-levied, student-distributed fees to support and enhance the out-of-class experience of students at the University. The Services and Activities Fees provide ongoing operational and capital funding for programs that protect and enrich the cultural, emotional, intellectual, physical, and social well-being of the student. Each academic quarter, Student Services and Facilities Fees are charged to full-time and part-time students registered at the University.

As a part of the University, Student Services and Facilities Fee activity is exempt from income taxes and no tax return is filed. Student Services and Facilities Fee activity receives administrative support from the University without charge.

These financial statements only present a selected portion of the activities of the University. As such, they are not intended and do not present either the financial position, results of operations, or changes in net position of the University.

Financial Statement Presentation

These financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenue is recognized when cash is received, and expenses are recognized when cash is disbursed.

Cash Receipts

Cash receipts reflect only those fees collected during the fiscal year ended 2021. All cash receipts are deposited with the University. Funds held by the University are funds invested in pooled investments with the University. The University combines most short-term available cash balances from various departments into the invested funds pool, which is primarily composed of U.S. government and agency securities, mortgage-rated investments, and asset-backed securities, as well as units in the Consolidated Endowment Fund (CEF), which is a diversified investment fund.

The underlying investments in CEF include emerging market equity securities, developed market equity securities, and fixed-income securities.

The University annually allocates investment earnings to the departments with qualifying funds in the invested funds pool based on relative amount invested at a rate determined and approved by the University. For the years ended June 30, 2021 and 2020, due to market conditions and the impact of the global pandemic, it was determined that no distributions would be made to certain campus depositors, including student fee accounts. Principal amounts invested in the pool are guaranteed by the University.

Transfers

During the years ended June 30, 2021 and 2020, $957,147 and $167,471, respectively, of funding for capital improvements and equipment purchases was allocated to various recipients and is included together with operations funding in their cash disbursement totals.

During the years ended June 30, 2021 and 2020, $3,000,000 and $250,000, respectively, was transferred from the IMA Bond Fees (included in cash balances held by Student Services and Facilities Fees including IMA bond fee reserves) to Recreation for the IMA locker room and pool upgrade capital projects.

2. Uncollected Fees and Future Disbursements

As these financial statements are presented on the cash basis of accounting, receivables and payables are not recognized.

Student Services and Facilities Fees that were uncollected (and are therefore receivable) were $2,091,102 and $1,458,261 on the last business day of the years ended June 30, 2021 and 2020, respectively.

In June 2021, the Board of Regents accepted proposed disbursements for the year ending June 30, 2022, totaling $21,829,522.

3. Internal Lending Program – IMA Bonds

Student Services and Facilities Fees are used to make debt service payments on the Series 2005 Revenue Bonds issued by the University. The debt is managed by the University's Internal Lending Program.

At June 30, 2021, the principal amount of the debt outstanding was $24,495,000 at an interest rate of 4.50%. The interest rate is reviewed each year and is subject to adjustment by the Board of Regents. There have been no changes to the interest rate since the current rate of 4.50% became effective on July 1, 2016. The final loan payment is due in June 2030.

Borrowings are being repaid by the IMA Bond Fees, which are included in the Student Services and Facilities Fees cash receipts at both June 30, 2021 and 2020.

The following is a summary of future payments (principal and interest) to be paid to cover the debt service payments for the years ending June 30:

	Principal	Interest	Total
2022	$ 2,196,250	$ 1,224,750	$ 3,421,000
2023	2,305,833	1,114,938	3,420,771
2024	2,420,417	999,646	3,420,063
2025	2,544,583	878,625	3,423,208
2026	2,669,583	751,396	3,420,979
2027 - 2030	12,358,334	1,615,728	13,974,062
	$ 24,495,000	$ 6,585,083	$ 31,080,083

4. Internal Lending Program – Student Facilities Renovation

Student Services and Facilities Fees has borrowings available from the University's Internal Lending Program of $126,000,000, $8,000,000, and $16,000,000 for the renovation of the Husky Union Building, the Hall Health Center, and the Ethnic Cultural Center, respectively. At June 30, 2021, the principal amount of the debt outstanding on these borrowings was $80,828,499, $5,806,484, and $12,186,702 for the Husky Union Building, the Hall Health Center, and the Ethnic Cultural Center, respectively (total of $98,821,685). The interest rate is reviewed each year and is subject to adjustment by the Board of Regents. Loan payments began in October 2011 for the Hall Health Center with a 30-year amortization and term. Loan payments began in October 2012 for the Husky Union Building and the Ethnic Cultural Center, also with 30-year amortizations and terms. The final loan payments are due in September 2042. The renovation activity is not included in these financial statements.

Borrowings are being repaid by the Student Facilities Renovation Fees, which are included in the Student Services and Facilities Fees cash receipts at both June 30, 2021 and 2020.

The following is a summary of future payments (principal and interest) to be paid to cover the debt service payments for the years ending June 30:

	Principal	Interest	Total
2022	$ 2,939,537	$ 4,143,101	$ 7,082,638
2023	3,066,930	4,015,708	7,082,638
2024	3,199,844	3,882,794	7,082,638
2025	3,338,518	3,744,120	7,082,638
2026	3,483,201	3,599,436	7,082,637
2027 - 2031	19,815,483	15,597,705	35,413,188
2032 - 2036	24,497,920	10,915,268	35,413,188
2037 - 2041	30,286,824	5,126,363	35,413,187
2042 - 2043	8,193,428	231,780	8,425,208
	$ 98,821,685	$ 51,256,275	$ 150,077,960

The ratio of cash receipts to all debt service payments (IMA bonds and ILP debt) for the years ended June 30 were as follows:

2020	2.9 to 1
2021	3.0 to 1

5. Subsequent Events

Student Services and Facilities Fees has evaluated subsequent events through the date these financial statements were available to be issued, which was December 21, 2021.