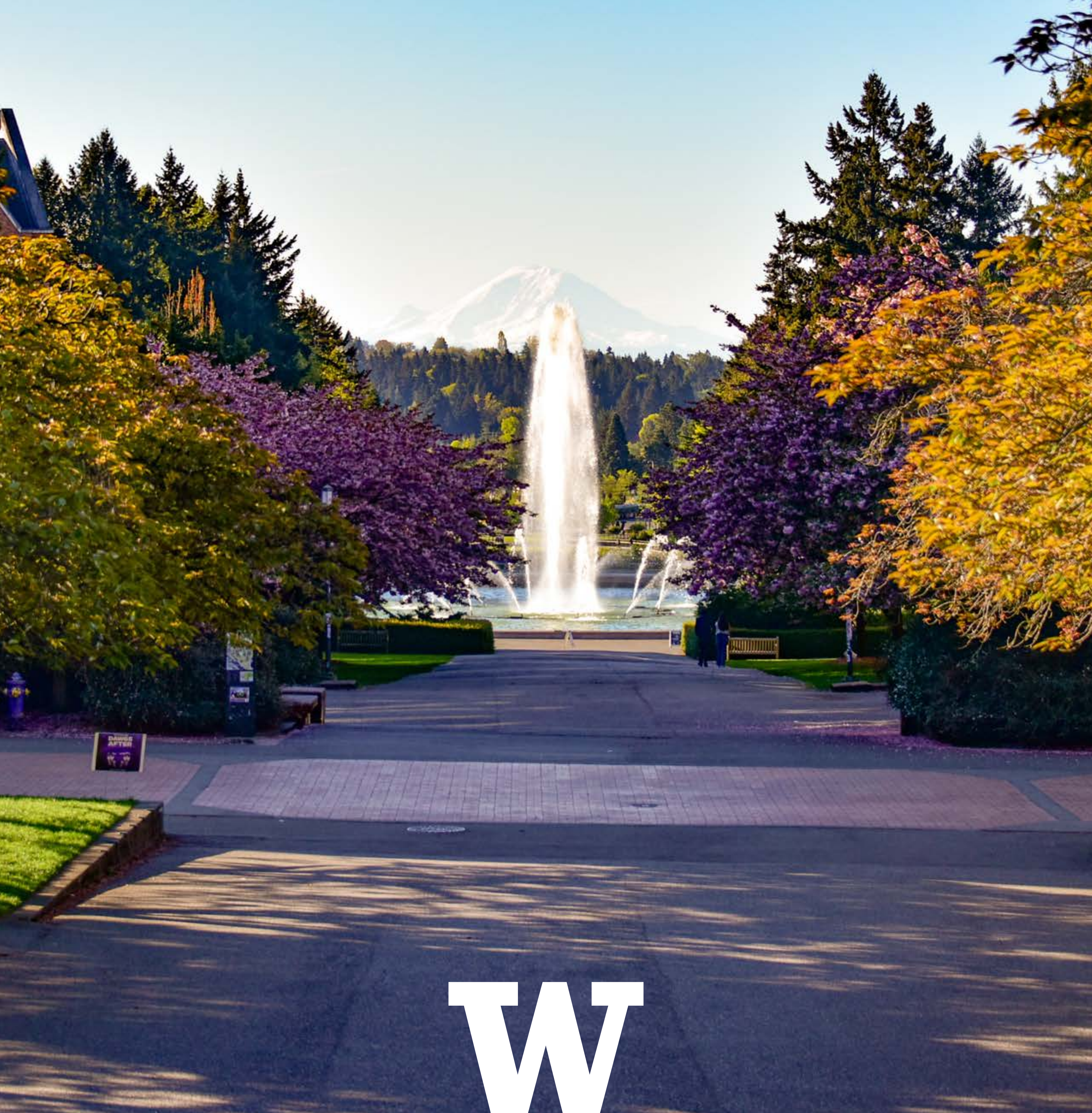
2024 **BONDHOLDERS REPORT**

UNIVERSITY *of* WASHINGTON | TREASURY OFFICE



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2024 **BONDHOLDERS REPORT**

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UNIVERSITY OF WASHINGTON

2024 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, 2024, 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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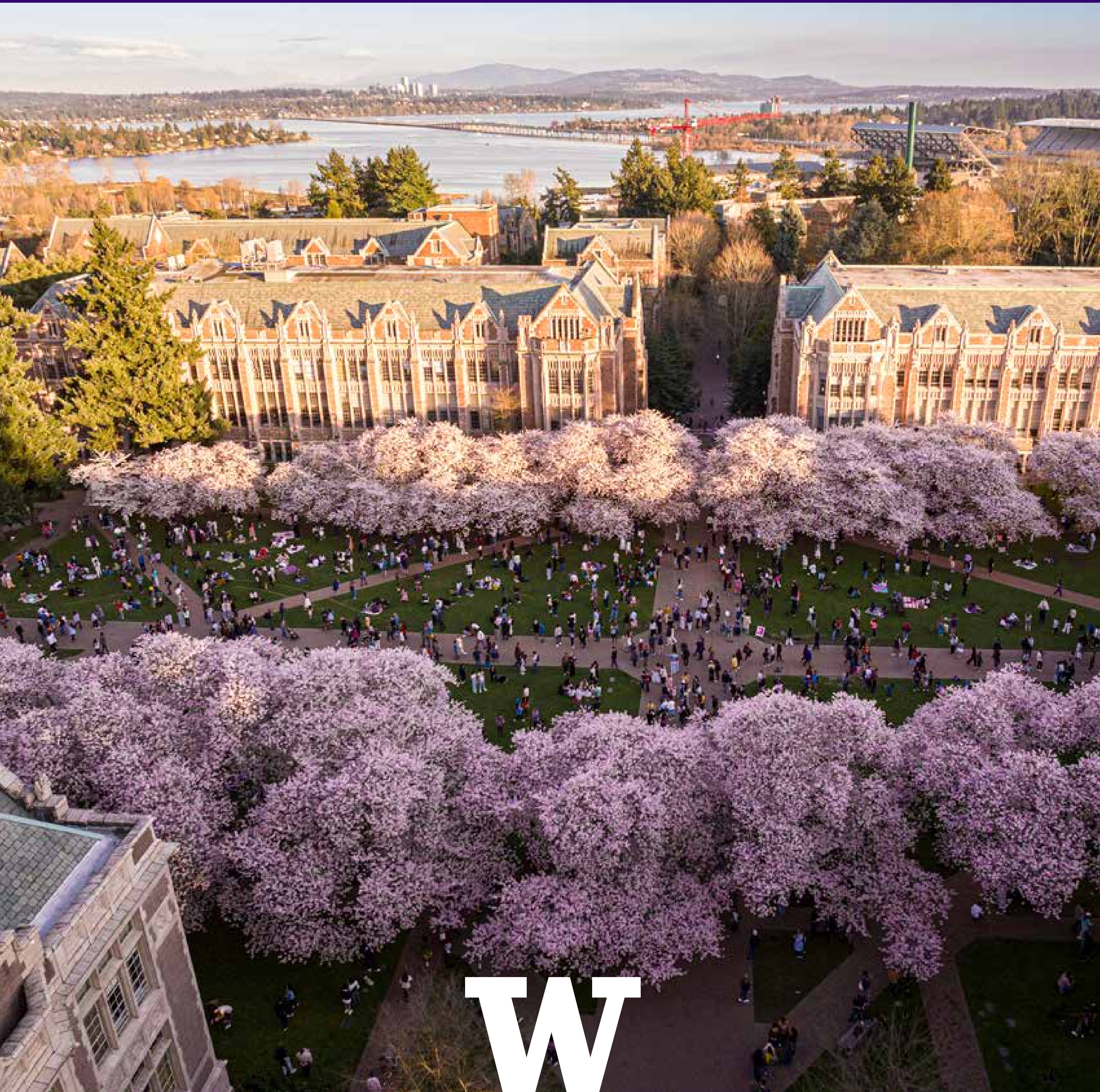
2024 FINANCIAL REPORT

UNIVERSITY *of* WASHINGTON



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University Facts

	FISCAL YEAR 2024 Academic Year 2023-2024	FISCAL YEAR 2019 Academic Year 2018-2019	FISCAL YEAR 2014 Academic Year 2013-2014
STUDENTS			
Autumn Enrollment (headcount)			
Undergraduate	43,255	42,578	37,895
Graduate	15,216	14,498	13,177
Professional	2,221	2,176	2,000
TOTAL	**60,692**	**59,252**	**53,072**
Professional and Continuing Education - Course and Conference Registrations	83,662	81,361	75,412
Number of Degrees Awarded			
Bachelor's	11,379	11,761	9,921
Master's	5,235	4,687	3,925
Doctoral	893	915	762
Professional	604	565	563
TOTAL	**18,111**	**17,928**	**15,171**
FACULTY[1]	5,890	4,369	4,494
FACULTY AND STAFF[2]	36,268	31,439	26,538
RESEARCH FUNDING - ALL SOURCES *(in thousands of dollars)*	$ 1,719,855	$ 1,579,056	$ 1,385,743
SELECTED REVENUES *(in thousands of dollars)*			
Medical Centers and Related Revenues[3]	$ 6,156,155	$ 2,933,682	$ 2,042,029
Gifts, Grants and Contracts	1,924,944	1,643,142	1,439,932
Auxiliary Enterprises and Other Revenues	1,335,538	751,650	556,191
Tuition and Fees[4]	1,173,727	1,052,222	838,796
State Operating Appropriations	604,140	378,656	262,146
Investment Income	763,826	339,878	480,645
SELECTED EXPENSES *(in thousands of dollars)*			
Medical-Related[3]	$ 6,203,827	$ 2,457,318	$ 1,831,649
Instruction, Academic Support, and Student Services	2,252,007	2,070,077	1,515,435
Institutional Support and Physical Plant	1,100,707	849,930	733,194
Research and Public Service	1,547,723	814,717	807,863
Auxiliary Enterprises	372,928	553,511	285,561
CONSOLIDATED ENDOWMENT FUND[5] *(in thousands of dollars)*	$ 5,457,000	$ 3,588,000	$ 2,833,000
SQUARE FOOTAGE[6] *(in thousands of square feet)*	29,468	27,327	21,836

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 discrete component units (Fred Hutchinson Cancer Center in 2024 only)
4. Net of scholarship allowances of $179.1 million in 2024, $159.4 million in 2019 and $139.8 million in 2014
5. Stated at fair value
6. Gross square footage, all campuses

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Regents
University of Washington:

Opinions

We have audited the financial statements of the business-type activities, the fiduciary activities, and the aggregate discretely presented component units, of the University of Washington (the University), which comprise the statement of net position and statement of fiduciary net position as of June 30, 2024, and the related statement of revenue, expenses and changes in position, statement of changes in fiduciary net position, and statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

In our opinion, the accompanying 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 aggregate discretely presented component units of the University, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Emphasis of Matter

As discussed in note 1 to the financial statements, the financial statements of the University, 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 business-type activities, the fiduciary activities, and the aggregate discretely presented component units of the state of Washington that are attributable to the transactions of the University and its discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2024, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. 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 U.S. generally accepted accounting principles, 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.

Auditors' 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 auditors' report that includes our opinions. 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 the University'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.

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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 15, and the schedules of required pension and other post-employment benefit supplementary information on pages 67 through 74, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits were conducted for the purposes of forming opinions on the basic financial statements. The University Facts included under the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subject to the audit procedures applied in the audit of the basic financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

KPMG LLP

Seattle, Washington
November 8, 2024

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 year ended June 30, 2024. 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 2024

The University recorded a $990 million increase in net position in 2024 compared to an increase of $894 million in 2023.

Key Financial Results

(in millions)	2024	2023
Total operating revenues	$ 7,458	$ 7,101
Total operating expenses	8,469	7,969
Operating loss	(1,011)	(868)
State appropriations	604	532
Gifts	178	182
Investment income	764	438
Other nonoperating revenues, net	455	610
Increase in net position	990	894
Net position, beginning of year	9,248	8,354
Net position, end of year	**$ 10,238**	**$ 9,248**

Operating Revenues

Operating revenues increased $357 million, or 5%, in 2024. Revenue from patient services increased $482 million, or over 19%, primarily due to strong volumes, lower length of stay and from new programs by the Washington State Health Care Authority. The University's auxiliary operations, which includes student housing and food services and intercollegiate athletics among others, showed revenue increases totaling $46 million over the prior year. This was offset by a decrease in grant and contract revenue of $171 million, driven by fewer federal awards.

Operating Expenses

Operating expenses increased $500 million, or 6%, in 2024. Staff salaries and benefits increased $468 million during the year, due primarily to the cost of wage and salary increases. Salaries expense increased by $431 million in the current year due to growth in FTEs at 2.7%, due in part to permanent staff hiring, and an increase in base wages.

Nonoperating Revenues

Revenues from nonoperating and other sources, net of interest on capital-related debt, increased $407 million, or 30%, in 2024. Investment Income increased by $326 million with approximately half of the increase resulting from unrealized gains followed by increases in realized gains and interest income due to favorable interest rates and investment market performance compared to the prior year.

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 for 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.
- Statement of Net Position presents 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, 2024). Its 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.
- Statement of Revenues, Expenses and Changes in Net Position presents the total revenues earned and expenses incurred by the University for operating, nonoperating and other related activities, during a period of time (the fiscal year ended June 30, 2024). Its purpose is to assess the University's operating and nonoperating activities.
- Statement of Cash Flows presents cash receipts and payments of the University during a period of time (the fiscal year ended June 30, 2024). Its purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.
- Statement of Fiduciary Net Position presents 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, 2024).
- Statement of Changes in Fiduciary Net Position presents the additions and deductions from the University's custodial funds during a period of time (the fiscal year ended June 30, 2024).
- 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. In fiscal year 2022, Fred Hutchinson Cancer Center (FHCC), a nonprofit organization focused on adult oncology research and care, was formed and clinically integrated with the University. GASB standards require that these entities be presented as discrete component units of the University; therefore, the financial position at June 30, 2024, and results of operations for the fiscal year ended June 30, 2024, are reported in a separate column for financial statement presentation purposes (see note 1 to the financial statements).

The analysis that follows includes the combined balances of the University of Washington and its blended component units, but excludes the financial position and results of operations of Valley Medical Center and FHCC.

Financial Health

STATEMENTS OF NET POSITION

A summarized comparison of the University's assets, liabilities, deferrals and net position as of June 30, 2024 and 2023, is shown below:

Summarized Statements of Net Position

(in millions)	**2024**	**2023**
Current assets	$ 3,062	$ 3,092
Noncurrent assets:		
Capital assets, net	6,282	6,186
Investments, net of current portion	7,722	6,653
Other	1,423	1,386
Total assets	18,489	17,317
Deferred outflows	967	1,030
Total assets and deferred outflows	19,456	18,347
Current liabilities	1,825	1,647
Noncurrent liabilities:		
Bonds payable	2,382	2,289
Pensions and OPEB	1,647	1,662
Other	1,266	1,270
Total liabilities	7,120	6,868
Deferred inflows	2,098	2,232
Total liabilities and deferred inflows	9,218	9,100
Net position	**$ 10,238**	**$ 9,248**

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 $1,237 million in 2024, and $1,445 million in 2023, reflects the continuing ability of the University to meet its short-term obligations.

Current assets decreased $30 million, or 1%, in 2024, driven by $196 million decrease in short-term investments due to realigning the fixed income account from short term to the intermediate term pool, resulting in lower daily operating liquidity compared to prior year. Offsetting this decrease were increases in accounts receivable, net of allowances, at $82 million mainly due to patient service volumes, a higher cash and cash equivalents balance at $47 million due to timing of payments and increases in other current assets of $38 million.

Current liabilities increased $178 million, or 11%, in 2024, mainly due to higher accounts payable of $283 million. An increase in payment processing during the final months of fiscal year 2023 in preparation for the implementation of the new Workday enterprise resource planning (ERP) system lowered accounts payable at the end of 2023. A decrease in other current liabilities offsets the increase to accounts payable at $162 million resulting from the retirement of commercial paper lines of credit.

Noncurrent assets increased $1,202 million, or 8%, in 2024 mainly driven by an increase in noncurrent investments at $1,069 million. The growth is driven by higher unrealized gains along with realigning the fixed income account from short term to the intermediate term pool in the invested funds.

Noncurrent liabilities increased $74 million, or 1% in 2024 driven by an increase of long-term bonds payable of $93 million, and other post-employment benefits liability of $31 million, offset by a decrease in pension liabilities of $46 million. The increase in bonds payable reflects the new General Revenue Bonds bonds issued in fiscal year 2024.

Deferred outflows of resources and deferred inflows of resources primarily represent pension and other post-employment benefit (OPEB) related deferrals, lease-related deferrals, subscription-related deferrals, and the University's remainder interest in split-interest agreements. The decrease in deferred outflows of $63 million, or 6%, in 2024 is mainly related to pensions and OPEB driven by amortization of the deferred outflows and the decrease of the University's proportionate share of OPEB. This is partially offset by an increase of University of Washington Supplemental Retirement Plan (UWSRP) post-measurement date contributions, recognized for the first time this year due to the change of measurement date. (see Note 10 to the financial statements).

Deferred inflows decreased by $134 million, or 6%, in 2024, driven by a $184 million decrease to the pension plans administered by the Washington State Department of Retirement Systems (DRS), which report results on a one-year lag. The difference between projected and actual investment earnings on pension plan investments contributed to the decrease in deferred inflows due to lower investment earnings during the fiscal year 2023 measurement period. Additionally, the deferred inflows for OPEB decreased by $139 million, primarily driven by a change of assumptions. The decrease was partially offset by $139 million increase in the deferred inflows recorded from two new ground leases (Nordheim Court and Radford Court), and $31 million from unamortized gain on refinancing in fiscal year 2024.

Endowment and Other Investments

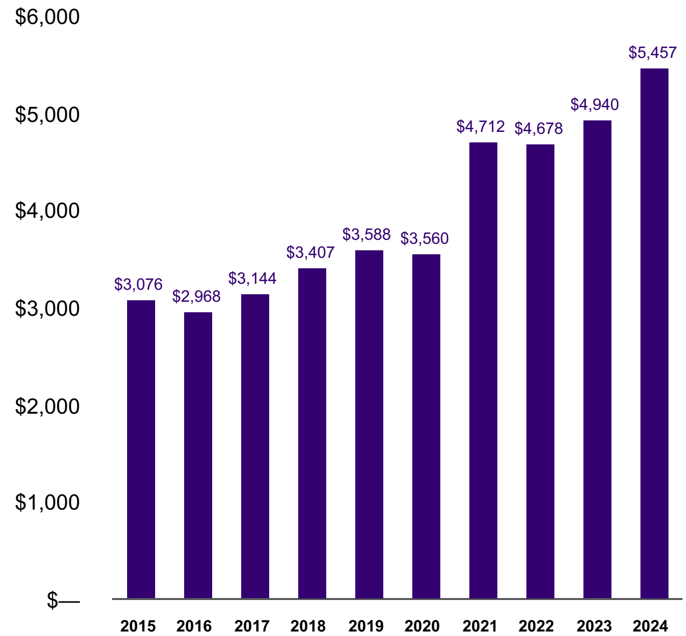
Investment returns provide an important source of revenue for the University's programs. Among the funds invested by the University are endowments, operating reserves, life income trusts, annuities and gifts.

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 4,363 at June 30, 2015 to 5,803 at June 30, 2024. The fair value of the CEF has similarly increased, from $3.1 billion at June 30, 2015 to $5.5 billion at June 30, 2024.

Consolidated Endowment Fund Market Value (in millions)



The CEF Investment Policy's spending rate distributes quarterly to programs based on an annual percentage rate of 3.6%, applied to the five-year rolling average of the CEF's fair value. Additionally, the CEF Investment Policy allows for an administrative fee of 0.9% supporting campus-wide fundraising and stewardship activities and offsetting the internal cost of managing endowment assets.

For the fiscal year ended June 30, 2024, the CEF returned +11.3% versus +14.5% for the passive benchmark. While overall relative performance lagged, the CEF had positive absolute and relative performance in fiscal year 2024 across most portfolio strategies. Similar to fiscal year 2023, there was considerable variance in fiscal year 2024 with developed markets significantly outperforming emerging markets. US markets continued to be led by a small number of large-cap technology stocks. Consistent with the broader market, the CEF's developed markets strategy drove overall CEF fiscal year 2024 performance. CEF's emerging markets and private equity strategies underperformed. Capital preservation outperformed with the CEF's absolute return strategy posting strong returns.

A portion of the University's operating funds are invested in the CEF. As of June 30, 2024, these funds comprise $1,197 million of the CEF fair 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 2024 included $40 million for the

Interdisciplinary Engineering Building, and $20 million for the restoration of Haggett Hall.

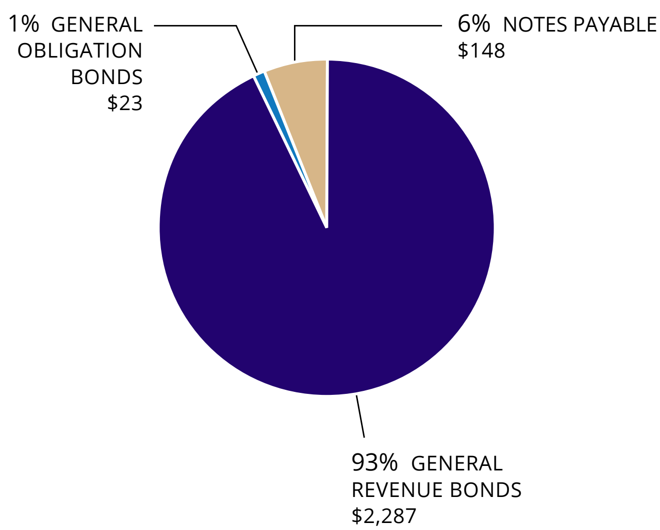
See note 6 for additional information regarding capital asset activity.

Debt

The Board of Regents approves the University's Debt Management Policy which governs the type and amount of debt the University may incur. The 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 and state-issued General Obligation Bonds. As of June 30, 2024, the University had $2.5 billion of bonds and notes payable outstanding excluding bond premiums, an increase of 1.4% from June 30, 2023.

Bonds and Notes Payable
(in millions)



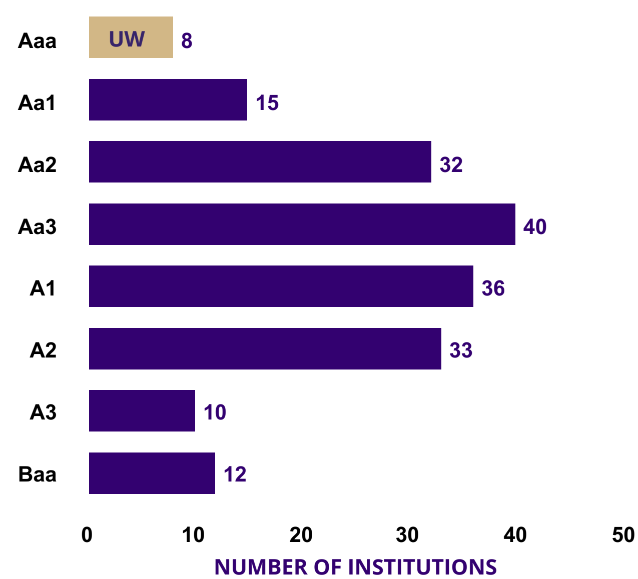
In February 2024, the University issued $218 million of tax-exempt General Revenue Bonds, 2024A with an all-in true interest cost of 3.15%. Proceeds will be used for the payoff of commercial paper used to fund the Finance Transformation project on an interim basis and to fund UW Medicine Small-Works projects, the Montlake Campus Membrane Repair project and Operating Room Expansion. Additionally, the University issued $168 million of General Revenue Refunding Bonds, 2024B to tender and refund a portion of the Series 2021B and 2022B bonds in order to achieve debt service savings. The 2024B bonds had an all-in true interest cost of 3.31%

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, 2024, there was no commercial paper outstanding.

As of June 30, 2024, the University had a $100 million line of credit to provide general institutional liquidity. The line of credit was undrawn at the fiscal year end and expired on September 30, 2024. The line of credit was extended for an additional 3-year term through an amended and restated agreement dated September 30, 2024.

During fiscal year 2024, Moody's revised the University's credit outlook to negative from stable (Aaa, Negative) and Standard & Poor's (AA+, Stable) reaffirmed the University's credit ratings. 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 2023
Public College and University Rating Distribution
(as of the June 2024 Moody's Median Report)



Each Fall, the Board of Regents typically adopts resolutions that authorize the issuance of long-term debt for various Board approved projects. For the 12-month period ending on September 30, 2025, the Board has approved the issuance of up to $125 million in net new long-term debt. Any additional 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.

See notes 7 and 8 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, 2024 and 2023 is summarized as follows:

Categories of Net Position

(in millions)	2024	2023
Net investment in capital assets	$ 3,060	$ 2,908
Restricted:		
Nonexpendable	2,365	2,206
Expendable	3,390	3,091
Unrestricted	1,423	1,043
Total net position	**$ 10,238**	**$ 9,248**

Net investment in capital assets increased $152 million, or 5%, in 2024. 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.

Restricted nonexpendable net position increased $159 million, or 7%, in 2024 primarily from the receipt of $111 million of new endowment gifts. Additionally, there was a $4 million increase in the fair value of the University's investments managed by the WA State Investment Board and a $13 million increase in the fair value of investments underlying split-interest agreements.

Restricted expendable net position increased $299 million, or 10%, in 2024 primarily due to new operating and capital gifts of $213 million.

Unrestricted net position increased $380 million, or 36%, in 2024. State operating and capital appropriations contributed $682 million and unrestricted investments contributed $273 million of investment income. These amounts were offset by $305 million of operating losses and $105 million of interest on capital asset-related debt.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents 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 appropriations, private gifts, and investment income. As a result, it is anticipated that the Statement 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, 2024, and 2023 follows:

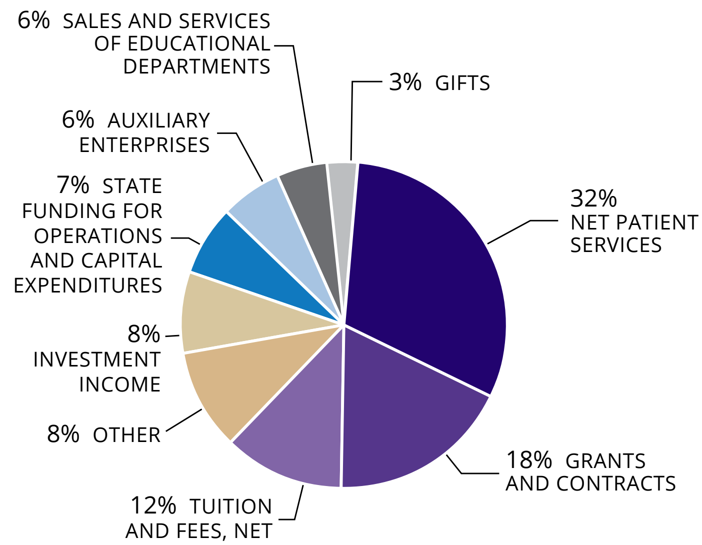
Operating Results

(in millions)	2024	2023 (a)
Net patient services	$ 3,046	$ 2,564
Tuition and fees, net	1,174	1,158
Grants and contracts	1,694	1,865
Other operating revenues	1,544	1,514
Total operating revenues	7,458	7,101
Salaries and benefits	5,131	4,663
Other operating Expenses	3,338	3,306
Operating loss	**(1,011)**	**(868)**
State appropriations	604	532
Gifts	178	182
Investment income	764	438
Other nonoperating revenues	560	721
Interest on capital asset-related debt	(105)	(111)
Increase in net position	**$ 990**	**$ 894**

(a) Certain amounts in the 2023 financial statement amounts have been reclassified for comparative purposes to conform to the presentation of the 2024 amounts.

The University's operating loss increased to $1,011 million in 2024, from $868 million in 2023. 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 a net operating loss of $407 million in 2024, compared to a net operating loss of $336 million in 2023. The University has a diversified revenue base. No single source generated more than 32% of the total fiscal year 2024 revenues of $9.6 billion.

Sources of Funds



The following table summarizes operating and nonoperating revenues from all sources for the years ended June 30, 2024, and 2023:

Revenues from All Sources

(in millions)	**2024**		**2023**	
Net patient services	$ 3,046	32%	$ 2,564	29%
Grants and contracts	1,747	18%	1,925	21%
Tuition and fees, net	1,174	12%	1,158	13%
Investment income	764	8%	438	5%
State funding for operations	604	6%	532	6%
Auxiliary enterprises	569	6%	523	6%
Sales and services of educational departments	534	6%	662	7%
Gifts	317	3%	355	4%
State funding for capital projects	77	1%	201	2%
Other	731	8%	614	7%
Total revenue - all sources	**$ 9,563**	**100%**	**$ 8,972**	**100%**

Unaudited – see accompanying notes to financial statements

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, 14 free standing clinics, an emergency air transport service and the University's share of two joint ventures. These entities, together with Harborview Medical Center (not included in the University's financial statements – see 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 a 910-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. UWMC also serves as the major clinical, teaching and research site for students and faculty in Health Sciences at the University. More than 30,000 patients receive inpatient care at UWMC each year. Specialized inpatient care needs are met through a joint cancer program with FHCC, the Regional Heart Center, the Neonatal Intensive Care Unit and the Organ Transplantation program, among others. In fiscal year 2024, UWMC opened the Center for Behavioral Health and Learning on UWMC's Northwest campus. This new Center will serve the dual purpose of treating patients with behavioral health needs and training an integrated behavioral health workforce.

Valley Medical Center (VMC) is a 341-bed acute care hospital and network of clinics that treats more than 17,000 inpatients per year, and is the oldest and largest public hospital district in the state of Washington. VMC's Statement of Net Position and Statements of Revenues, Expenses and Changes in Net Position are presented as part of the discrete component units column on the financial statements of the University.

Fred Hutchinson Cancer Center (FHCC) is a nonprofit organization focused on adult oncology research and care that is a clinically integrated part of UWMC. FHCC was formed in 2022 from the merger of Seattle Cancer Care Alliance and Fred Hutchinson Cancer Research Center, together with execution of the Restructuring and Enhanced Collaboration Agreement between the University and FHCC. FHCC's Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are presented as part of the discrete component units column on the financial statements of the University.

UW Medicine Primary Care is a network of clinics with 14 neighborhood locations and one virtual clinic throughout the greater Puget Sound area, providing primary, urgent and selected specialty care with a staff of 195 healthcare providers.

UW Physicians (UWP) is the physician practice group for more than 3,000 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 currently a participant in two joint ventures: 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 or FHCC) contributed $3.0 billion in net patient services revenue in fiscal year 2024, compared with $2.6 billion in fiscal year 2023, an increase of $482 million, or 19%, primarily due to strong volumes, lower length of stay and the directed payment programs which are new programs managed by the Washington State Health Care Authority effective January 1, 2023 and January 1, 2024, respectively. UWMC generated 76% of this revenue in 2024 and 79% in 2023. UWMC admissions were 30,119 in 2024 compared with 29,001 in 2023, an increase in admissions of 4%. Inpatient surgeries increased 3% for UWMC in fiscal year 2024 compared to fiscal year 2023.

Grant and Contract Revenue

One of the largest sources of revenue 18% 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 decreased $171 million in 2024.

Federal grant and contract revenue decreased $122 million, or 9%, in 2024. This decrease was anticipated, particularly in COVID Disaster Relief funds, which saw a reduction of approximately $36 million across federal awards, including several clinical trial subcontracts from the National Institutes of Health (NIH). Additionally, awards sponsored by the Center for Disease Control related to the Global AIDS program either ended or reduced activity, resulting in a $29 million revenue decrease.

State and local grant and contract revenue decreased $5 million, or 3%, in 2024 mainly due to a $3 million reduction from several Washington state agencies.

Nongovernmental grant and contract revenue decreased $44 million, or 12%, in 2024. This decline includes an $18 million reduction in activity related to an HIV prevention project funded by the Bill and Melinda Gates Foundation. Additionally, there was a broad reduction in revenue across the awards FHCC issued to the University totaling $4 million.

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

Facility and administrative expenses necessary to support grants and contracts are partially reimbursed by sponsors, along with direct costs, by an indirect cost recovery. The 2024 indirect cost recovery rate for research grants was approximately 30 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 non-grant funded educational operating expenses.

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

Revenues from tuition and fees, net of scholarship allowances, increased $16 million in 2024. This increase was partially due to the state allowing a 3% operating fee increase in resident undergraduate tuition during the year. Nonresident undergraduate operating fees also increased 3%, while tuition-based graduate and professional program rates increased 0-6%. Most fee-based program rates increased 0-6% in 2024. These tuition and fee-based program rate increases were consistent with those implemented during 2023.

Revenue growth was also partly due to modest increases in student enrollment. Full-time equivalent (FTE) enrollment in 2024 in undergraduate tuition and fee-based programs increased by 1.1% in the resident student category, while nonresident student enrollment remained relatively flat, decreasing by 0.4%.

Gifts, Endowments and Investment Revenues

Net investment income for the years ended June 30, 2024 and 2023 consisted of the following:

Net Investment Income

(in millions)	2024	2023
Interest and dividends, net	$ 147	$ 86
Realized gains	167	113
Unrealized gains	450	238
Net investment income	**$ 764**	**$ 437**

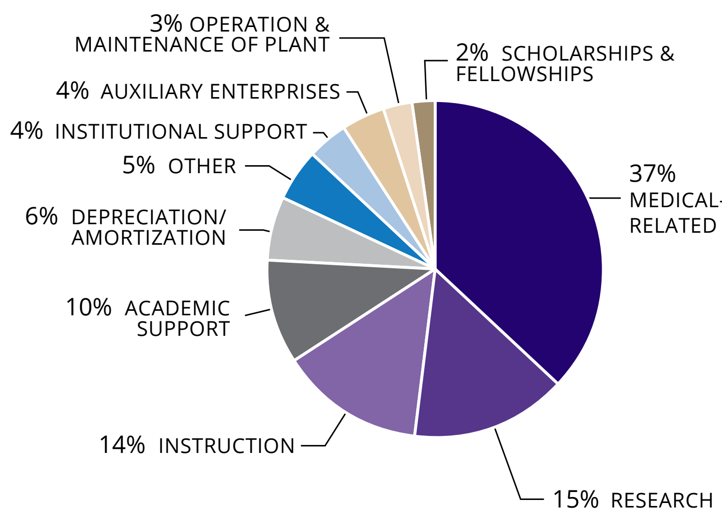
Net investment income increased $326 million, or 74%, in 2024. Returns on the CEF were +11.3% in 2024 and +6.0% in fiscal year 2023.

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. Gifts in the form of current use gifts, capital gifts and contributions to permanent endowments remain steady. Total gifts decreased $5 million in 2024.

Expenses

Two primary functions of the University, instruction and research, comprised 29% of total operating expenses in 2024. These dollars provided instruction to over 60,000 students and funded over 8,210 research awards. Medical-related expenses, such as those pertaining to patient care, continue to be the largest individual component, accounting for 37% of the University's total operating expenses in 2024.

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, 2024, and 2023 is shown in the table below.

Operating Expenses by Function

(in millions)	2024		2023 (a)	
INSTRUCTION	$1,160	14%	$1,113	14%
RESEARCH	1,251	15%	973	12%
PUBLIC SERVICE	297	4%	172	2%
ACADEMIC SUPPORT	838	10%	811	10%
STUDENT SERVICE	45	1%	56	1%
INSTITUTIONAL SUPPORT	343	4%	357	4%
OPERATION & MAINTENANCE OF PLANT	250	3%	302	4%
SCHOLARSHIPS & FELLOWSHIPS	209	2%	194	2%
AUXILIARY ENTERPRISES	373	4%	222	3%
MEDICAL-RELATED	3,196	37%	3,246	41%
DEPRECIATION/AMORTIZATION	507	6%	523	7%
Total operating expenses	**$8,469**	**100%**	**$7,969**	**100%**

(a) Certain amounts in the 2023 financial statement amounts have been reclassified for comparative purposes to conform to the presentation of the 2024 amounts.

Overall, the University's operating expenses increased $500 million, or 6%, in 2024. Approximately 61% of amounts incurred for operating expenses in 2024 and 2023 were related to faculty and staff compensation and benefits.

In 2024, expense associated with faculty and staff salaries increased $431 million, or 11%, which was attributed to a growth in FTEs as well as wage increases and overall increasing costs due to the competitive labor market. UW Medicine reached historic agreements with its four largest labor union partners in fiscal year 2023, which included incremental pay increases that were the largest UW Medicine had ever negotiated. The pay increases have remained in effect during fiscal year 2024.

Benefits expense increased $38 million, or 4% in 2024. The increase is primarily driven by $81 million higher social security, healthcare and annual sick leave-related expenses from increased base salaries in 2024, partially offset by lower pension expenses, including $35 million from the plans administrated by the DRS due to stronger investment gains on plan assets, and $48 million from an increase in the discount rate for Other Post Employment Benefits. In fiscal year 2023, the Supplemental Retirement Plan recorded a $40 million expense credit, lowering expense, which did not occur in fiscal year 2024.

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. 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 2024, continued to see increasing state tax collections; however growth has slowed. In recent biennia, growth in state tax collections and new revenue have largely been utilized to combat the strains that the COVID-19 pandemic and rising inflation have placed on our health care and education systems. With this focus, the legislature continued to make significant investments in the University's safety net hospitals, as well as science, technology, engineering and math (STEM) enrollments across all three University campuses.

During the 2024 legislative session, the state passed a supplemental operating budget, which included significant appropriations changes to the underlying 2023-25 biennial budget (effective for fiscal years 2024 and 2025). State revenue forecasts leading up to the start of the 2024 session showed positive collections, but indicated that economic growth was slowing. Despite this trend, state lawmakers authorized $60 million in additional one-time funding for the University's safety net hospitals, $20 million in operational support of the Center for Behavioral Health & Learning (formerly known as the Behavioral Health Teaching Facility), and more than 20 new provisos (direct funding allocations with specific conditions such as program expansions or research projects) to the University in fiscal year 2025.

The June 2024 revenue forecast revised state revenue projections downward for the current biennium and upcoming 2025-27 biennium. The University will continue to monitor state revenue collections as new revenue forecasts are released in September and November of 2024.

The University's fiscal year 2025 general operating appropriation from the state (excluding $60 million appropriated on a one-time basis to support safety net hospitals) currently totals approximately $550 million. This amount is an increase from approximately $505 million in 2024. Recent increases are largely attributable to compensation increases for non-represented faculty and staff, hospital safety net funding, and targeted investments in student enrollment efforts across the University's three campuses.

During the 2015-17 biennium, the state approved a 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 according to the Bureau of Labor Statistics (BLS). Under this current policy, the state has allowed resident undergraduate tuition to increase by 2-3% in each year. While the legislature can always modify its policy, it has so far chosen to maintain it. Therefore, the University's current expectation is that resident undergraduate tuition increases will continue to be limited to 2-3% each year in 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 2023-25 biennial capital budget provided funding for renovating the Magnuson Health Sciences T-Wing, Anderson Hall, and the UWMC NW Campus. The state also provided funding for design and construction of the wəɬəbʔaltxʷ (Intellectual House), and for UW Tacoma to purchase additional land around the existing campus. The 2024 supplemental capital budget added $5 million for design and planning work for a new Chemical Sciences Building and renovation of Bagley Hall in addition to $39 million in energy renewal projects from the state's Climate Commitment Account.

UW MEDICINE

The healthcare industry, in general, is experiencing higher demand for labor, volatility and uncertainty in the labor market, which has impacted UW Medicine's ability to attract and retain labor and manage operating cost increases associated with the higher labor costs. It is difficult to predict the full impact of the labor market on UW Medicine's future expenses and operations.

Cyberattacks, privacy/security threats and data breaches are becoming increasingly more common and have the potential to impact UW Medicine's patients and its financial position. In addition, hospitals must adapt to new and changing health care regulations and must manage their relationships with the government and government directed programs. UW Medicine receives cash from government programs and depending on timing, there could be an impact to their revenue and cash flow.

The federal COVID-19 Public Health Emergency declaration under the Public Health Service Act expired on May 11, 2023. The broad economic factors coming out of the COVID-19 pandemic continue to impact UW Medicine's patient volumes, case mix acuity, service mix, and revenue mix. Ongoing economic conditions, such as significant labor market wage and benefit pressure, supply chain and other inflationary pressures have also increased, and will continue to increase UW Medicine's expenses and pressure hospital liquidity. Because of these factors, management cannot estimate the severity of the aforementioned general economic and marketplace conditions on UW Medicine's business.

Reimbursement for patient services from federal, state, and private insurance payors continues to be a concern as healthcare costs continue to rise. There is continued downward pressure on average realized payment rates from commercial payor plans and a reduction in the number or percentage of UW Medicine's patients under such plans. UW Medicine participates in the 340B Drug Pricing Program, which is a federal program that requires drug manufacturers provide outpatient drugs to eligible healthcare organizations and covered entities at significantly reduced prices. In the past several years, a number of drug manufacturers have reduced the benefits to covered entities through the elimination of access to certain 340B priced drugs in contract pharmacy settings. This had led to legal action at the federal level in an attempt to reinstate previous savings. Split decisions in different courts have merely added to uncertainty related to the financial impact of the 340B program in the future. In addition, a major drug manufacturer has announced that this program will shift from an upfront discount to a rebate model despite being in opposition to the 340B basic tenets. The medical centers are likely to see higher costs in its non-contract pharmacy lines of business before being able to seek relief. As with the challenges to contract pharmacy, other drug manufacturers are likely to follow the example with limited enforcement action expected by Health Resources and Services Administration (HRSA). Due to these uncertainties, management cannot predict the impact on UW Medicine's future revenues and operations.

However, UW Medicine believes that its ultimate success in increasing profitability depends in part on its success in executing on its strategies. In general, these strategies are intended to improve financial performance through the reduction of costs and in streamlining how UW Medcicine provides 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, UW Medicine's focus is on managing costs and care efficiently.

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Financial Statements & Notes

STATEMENT OF NET POSITION

	UNIVERSITY OF WASHINGTON June 30, 2024	DISCRETE COMPONENT UNITS June 30, 2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS (NOTE 2)	$ 196,210	$ 379,772
INVESTMENTS, CURRENT PORTION (NOTE 5)	1,514,113	432,863
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE OF $98,168) (NOTE 4)	1,235,013	338,192
OTHER CURRENT ASSETS	116,854	110,492
TOTAL CURRENT ASSETS	3,062,190	1,261,319
NONCURRENT ASSETS:		
DEPOSIT WITH STATE OF WASHINGTON (NOTE 3)	101,296	—
INVESTMENTS, NET OF CURRENT PORTION (NOTE 5)	7,721,564	812,474
STUDENT LOANS RECEIVABLE (NET OF ALLOWANCE OF $3,081)	37,600	—
OTHER NONCURRENT ASSETS (NOTE 1)	25,165	632,646
LEASE RECEIVABLES, NET OF CURRENT PORTION (NOTE 4, 9)	361,584	23,731
NET PENSION ASSETS (NOTE 10)	468,659	—
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF $7,079,200) (NOTE 6)	6,281,755	1,590,121
INVESTMENT IN FRED HUTCHINSON CANCER CENTER (NOTE 1)	428,827	—
TOTAL NONCURRENT ASSETS	15,426,450	3,058,972
TOTAL ASSETS	18,488,640	4,320,291
DEFERRED OUTFLOWS OF RESOURCES (NOTE 12)	967,413	10,689
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 19,456,053**	**$ 4,330,980**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 1,260,787	$ 372,166
UNEARNED REVENUES	234,623	—
OTHER CURRENT LIABILITIES	3,111	90,301
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 7, 8)	326,566	66,280
TOTAL CURRENT LIABILITIES	1,825,087	528,747
NONCURRENT LIABILITIES:		
U.S. GOVERNMENT GRANTS REFUNDABLE	21,461	—
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 7, 8)	3,626,411	2,022,140
NET PENSION LIABILITIES (NOTE 10)	369,451	—
OTHER POST-EMPLOYMENT BENEFITS (NOTE 11)	1,277,506	—
TOTAL NONCURRENT LIABILITIES	5,294,829	2,022,140
TOTAL LIABILITIES	7,119,916	2,550,887
DEFERRED INFLOWS OF RESOURCES (NOTE 12)	2,097,977	46,461
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**9,217,893**	**2,597,348**
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	3,060,366	245,768
RESTRICTED:		
NONEXPENDABLE	2,365,225	131,506
EXPENDABLE	3,389,617	559,444
UNRESTRICTED	1,422,952	796,914
TOTAL NET POSITION	10,238,160	1,733,632
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 19,456,053**	**$ 4,330,980**

See accompanying notes to financial statements

Dollars in thousands

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF WASHINGTON	DISCRETE COMPONENT UNITS
	Year ended June 30, 2024	**Year ended June 30, 2024**
REVENUES		
OPERATING REVENUES:		
NET PATIENT SERVICE REVENUES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF $32,563)	$ 3,046,075	$ 2,157,311
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF $179,112)	1,173,727	—
FEDERAL GRANTS AND CONTRACTS	1,189,554	542,770
STATE AND LOCAL GRANTS AND CONTRACTS	167,331	—
NONGOVERNMENTAL GRANTS AND CONTRACTS	336,908	—
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	533,885	—
AUXILIARY ENTERPRISES:		
HOUSING AND FOOD SERVICES	157,990	—
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF $10,131)	132,495	—
OTHER AUXILIARY ENTERPRISES	278,658	—
OTHER OPERATING REVENUE	441,683	200,827
TOTAL OPERATING REVENUES	**7,458,306**	**2,900,908**
EXPENSES		
OPERATING EXPENSES (NOTE 14):		
SALARIES	4,181,006	1,078,744
BENEFITS	950,170	311,622
SCHOLARSHIPS AND FELLOWSHIPS	208,881	—
UTILITIES	80,489	7,339
SUPPLIES AND MATERIALS	992,463	708,228
PURCHASED SERVICES	1,349,579	404,467
DEPRECIATION/AMORTIZATION	507,400	129,524
OTHER	198,922	368,358
TOTAL OPERATING EXPENSES	**8,468,910**	**3,008,282**
OPERATING LOSS	**(1,010,604)**	**(107,374)**
NONOPERATING REVENUES (EXPENSES)		
STATE APPROPRIATIONS	604,140	—
GIFTS	178,400	—
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE OF $8,104)	763,826	153,228
INTEREST EXPENSE ON CAPITAL ASSET-RELATED DEBT	(104,687)	(59,805)
PELL GRANT REVENUE	52,751	—
PROPERTY TAX REVENUE	—	26,144
OTHER NONOPERATING REVENUES	287,811	75,222
NET NONOPERATING REVENUES	**1,782,241**	**194,789**
INCOME BEFORE OTHER REVENUES	**771,637**	**87,415**
CAPITAL APPROPRIATIONS	77,378	—
CAPITAL GRANTS, GIFTS AND OTHER	36,835	25,201
GIFTS TO PERMANENT ENDOWMENTS	104,609	11,382
TOTAL OTHER REVENUES	**218,822**	**36,583**
INCREASE IN NET POSITION	**990,459**	**123,998**
NET POSITION		
NET POSITION – BEGINNING OF YEAR	9,247,701	1,609,634
NET POSITION – END OF YEAR	**$ 10,238,160**	**$ 1,733,632**

See accompanying notes to financial statements
Dollars in thousands

STATEMENT OF CASH FLOWS

	UNIVERSITY OF WASHINGTON
	Year Ended June 30,
CASH FLOWS FROM OPERATING ACTIVITIES	**2024**
PATIENT SERVICES	$ 2,867,565
STUDENT TUITION AND FEES	1,141,672
GRANTS AND CONTRACTS	1,663,345
PAYMENTS TO SUPPLIERS	(862,989)
PAYMENTS FOR UTILITIES	(73,863)
PURCHASED SERVICES	(1,266,791)
OTHER OPERATING DISBURSEMENTS	(200,377)
PAYMENTS TO EMPLOYEES	(4,234,691)
PAYMENTS FOR BENEFITS	(1,170,860)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(208,881)
LOANS ISSUED TO STUDENTS	(7,075)
COLLECTION OF LOANS TO STUDENTS	8,995
AUXILIARY ENTERPRISE RECEIPTS	562,016
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	614,784
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	1,628,598
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(1,714,481)
OTHER RECEIPTS	659,952
NET CASH USED BY OPERATING ACTIVITIES	**(593,081)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
STATE APPROPRIATIONS	637,692
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	52,751
PRIVATE GIFTS	131,064
PERMANENT ENDOWMENT RECEIPTS	104,609
DIRECT LENDING RECEIPTS	210,316
DIRECT LENDING DISBURSEMENTS	(210,316)
FEDERAL FUNDING	227,095
OTHER	107,813
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**1,261,024**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PROCEEDS FROM CAPITAL DEBT	566,072
STATE CAPITAL APPROPRIATIONS	91,942
CAPITAL GRANTS AND GIFTS RECEIVED	36,835
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(502,716)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(725,028)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(117,692)
OTHER	(29,997)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(680,584)**

See accompanying notes to financial statements

Dollars in thousands

		UNIVERSITY OF WASHINGTON Year Ended June 30,
CASH FLOWS FROM INVESTING ACTIVITIES		**2024**
PROCEEDS FROM SALES OF INVESTMENTS		13,979,535
DISBURSEMENTS FOR PURCHASES OF INVESTMENTS		(14,067,349)
INVESTMENT INCOME		147,172
NET CASH PROVIDED BY INVESTING ACTIVITIES		**59,358**
NET INCREASE IN CASH AND CASH EQUIVALENTS		46,717
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR		149,493
CASH AND CASH EQUIVALENTS-END OF THE YEAR	**$**	**196,210**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	$	(1,010,604)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
DEPRECIATION/AMORTIZATION EXPENSE		507,400
CHANGES IN ASSETS, LIABILITIES AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:		
RECEIVABLES		(214,986)
OTHER ASSETS		(11,778)
OTHER RECEIVABLES		12,495
DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES		(65,169)
PENSION ASSETS		(38,337)
PENSION LIABILITIES		(46,173)
OPEB LIABILITY		31,449
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		186,222
UNEARNED REVENUE		18,455
OTHER LONG-TERM LIABILITIES		40,881
U.S. GOVERNMENTAL GRANTS REFUNDABLE		(4,856)
LOANS TO STUDENTS		1,920
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(593,081)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
STOCK GIFTS	$	49,155
NET UNREALIZED GAINS		458,809
EXTERNALLY MANAGED TRUSTS		(9,358)
INCREASE IN LEASES AND SUBSCRIPTION ASSETS		(130,940)
INCREASE IN CAPITAL ASSETS		(154,982)
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	**$**	**212,684**

See accompanying notes to financial statements

Dollars in thousands

STATEMENT OF FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

JUNE 30,

2024

CUSTODIAL FUNDS

		EXTERNAL INVESTMENT POOL		OTHER		TOTAL
ASSETS:						
POOLED INVESTMENTS AT FAIR VALUE	$	75,033	$	—	$	75,033
OTHER ASSETS		—		1,576		1,576
TOTAL ASSETS	**$**	**75,033**	**$**	**1,576**	**$**	**76,609**
FIDUCIARY NET POSITION:						
POOL PARTICIPANTS	$	75,033	$	—	$	75,033
ORGANIZATIONS AND OTHER GOVERNMENTS		—		1,576		1,576
TOTAL FIDUCIARY NET POSITION	**$**	**75,033**	**$**	**1,576**	**$**	**76,609**

See accompanying notes to financial statements

Dollars in thousands

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON
YEAR ENDED JUNE 30,

2024
CUSTODIAL FUNDS

	EXTERNAL INVESTMENT POOL	OTHER	TOTAL
ADDITIONS:			
GIFTS	$ 856	$ 17,759	$ 18,615
COLLATERAL RECEIVED AND RELATED ADDITIONS	—	20,232	20,232
INVESTMENT (LOSSES) EARNINGS:			
CHANGE IN FAIR VALUE	6,168	—	6,168
INTEREST, DIVIDENDS, AND OTHER	2,579	—	2,579
TOTAL INVESTMENT EARNINGS	8,747	—	8,747
LESS INVESTMENT ACTIVITY COSTS	(53)	—	(53)
NET INVESTMENT EARNINGS	8,694	—	8,694
MISCELLANEOUS	—	40	40
TOTAL ADDITIONS	**9,550**	**38,031**	**47,581**
DEDUCTIONS:			
BENEFITS PAID TO PARTICIPANTS OR BENEFICIARIES	—	17,440	17,440
DISTRIBUTION TO POOL PARTICIPANTS	4,192	—	4,192
COLLATERAL DISBURSED AND RELATED DEDUCTIONS	—	20,299	20,299
TOTAL DEDUCTIONS	**4,192**	**37,739**	**41,931**
NET INCREASE IN FIDUCIARY NET POSITION	**5,358**	**292**	**5,650**
FIDUCIARY NET POSITION:			
FIDUCIARY NET POSITION - BEGINNING OF YEAR	69,675	1,284	70,959
FIDUCIARY NET POSITION - END OF YEAR	**$ 75,033**	**$ 1,576**	**$ 76,609**

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 11-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) Codification 2600, "Reporting Entity and Component Unit Presentation and Disclosure," except Valley Medical Center and Fred Hutchinson Cancer Center. Valley Medical Center is reported discretely since it has a separate board of trustees, does not provide services exclusively to the University, and is not a nonprofit corporation of which the University is the sole corporate member. Fred Hutchinson Cancer Center is reported discretely due to the same factors listed for Valley Medical Center, and because the University has determined that it would be misleading to exclude due to the level of integration between the organizations.

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 $453.0 million in fiscal year 2024.

UW Physicians Network dba UW Medicine Primary Care (Primary Care)

Primary Care 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. It was organized to coordinate and develop patient care in a community clinical setting and enhances the academic environment of SOM by providing additional sites of primary care practice and training for faculty, residents and students. In 2023, the doing-business-as (dba) name changed from UW Medicine Neighborhood Clinics to UW Medicine Primary Care. Primary Care had operating revenues of $96.8 million in fiscal year 2024.

Choice Care LLC (CHCR)

CHCR was formed in 2019 and is wholly owned by the University through which UWMC can engage in certain value-based care activities consistent with UWMC's strategic plan.

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, 2024, these entities had net capital assets of $258.3 million and long-term debt of $270.0 million. These amounts are reflected in the University's financial statements.

Portage Bay Insurance

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. As of June 30, 2024, PBI had self insurance liabilities of $255.5 million.

DISCRETELY PRESENTED COMPONENT UNITS

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.

Fred Hutchinson Cancer Center

Fred Hutchinson Cancer Center (FHCC) is a nonprofit organization focused on adult oncology research and care that is a clinically integrated part of UWMC. FHCC was formed in April 2022 from the merger of Seattle Cancer Care Alliance (SCCA) and Fred Hutchinson Cancer Research Center, together with execution of the Restructuring and Enhanced Collaboration Agreement between the University and FHCC. The audited financial statements of FHCC are available by contacting FHCC at 1100 Fairview Ave N, Seattle, Washington 98109 or online at the following address: https://www.fredhutch.org/en/about/about-the-hutch/accountability-impact/financial-summaries-and-impact-reporting.html.

JOINT VENTURES

The University and Seattle Children's Healthcare System 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 4) as of June 30, 2024 includes amounts due from CUMG of $29.4 million.

In June 2018, the Board of Regents authorized the University, through UWMC, to become an equity member in a limited liability company. PNWCIN, LLC dba Embright (Embright) was established in 2019 and is jointly owned by the University, MultiCare Health System and LifePoint Health. As a clinically integrated network in the Pacific Northwest founded by healthcare provider organizations, Embright enables the members to partner together to further the Triple Aim of improving the health (quality) and experience of populations while reducing costs. The Embright network includes 21 hospitals, more than 8,500 providers and over 1,500 clinics. 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, 2024, the University's ownership interest in Embright totaled $2.5 million. The University's ownership interest in Embright is recorded in other noncurrent assets in the University's Statement of Net Position.

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 Metropolitan Tract's assets, liabilities, deferred inflows and net position are shown together with the University on the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

BASIS OF ACCOUNTING

The financial statements of the University have been prepared in accordance with GASB, Codification 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, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Statement of Fiduciary Net Position, Statement 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 Statement of Revenues, Expenses and Changes in Net Position.

The University reports fiduciary activities as custodial funds as defined by GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the custodial funds are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. Custodial assets held for three months or less are exempt from the reporting requirements.

On July 1, 2023, the University implemented GASB Statement No. 100, "Accounting Changes and Error Corrections." This Statement is intended to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity, This Statement requires that (a) changes in accounting principals and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The implementation did not have a material impact on the University's financial statements.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In June 2022, the GASB issued Statement No. 101, *"Compensated Absences,"* which will be effective for the fiscal year ending June 30, 2025. This Statement will update the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Statement amends the existing disclosure requirements to allow governments to disclose only the net change in the liability as long as they identify it as a net change.

In December 2023, the GASB issued Statement No. 102, "Certain Risk Disclosures," which will be effective for the fiscal year ending June 30, 2025. This statement will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations and constraints. It requires a government to disclose information in its notes to financial statements if certain criteria for disclosure have been met for a concentration or constraint.

In April 2024, the GASB issued Statement No. 103, "Financial Reporting Model Improvements," which will be effective for the fiscal year ending June 30, 2026. This Statement will improve key components of the financial reporting model including management discussion and analysis (MD&A), unusual or infrequent items, presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, major component unit information and budgetary comparison information. The purpose of the required disclosures will be to enhance the quality of the MD&A analysis of changes from prior years, and comparability of presentation of other sections.

In September 2024, the GASB issued Statement No. 104, "Disclosure of Certain Capital Assets," which will be effective for the fiscal year ending June 30, 2026. This statement requires certain types of capital assets to be disclosed separately by major class of underlying assets in the capital assets note disclosures. These assets include leased assets under GASB No. 87, intangible right-to-use assets under GASB No. 94, subscription assets under GASB No. 96 and other intangible assets. This Statement also requires additional disclosures for capital assets held for sale by governments. The requirements of this Statement should be applied retroactively to all periods presented in the basic 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 7) 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 note 4) 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 (see notes 10 and 11).

The self-insurance reserve (see note 13) 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 (see note 5).

Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value (see note 5).

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 fair value based on net asset value (NAV) estimates as a practical expedient 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 are excluded from the beginning and ending cash amounts on the Statement of Cash Flows.

Inventories. Inventories are carried at the lower of cost or fair 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 cost 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 value at the date of the gift, less accumulated depreciation and amortization. Right of use leased and subscription assets are stated at the present value of payments expected to be made during the lease term, less accumulated 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 10 to 75 years for building components, 5 to 50 years for infrastructure and land improvements, 3 to 20 years for equipment, 15 years for library materials, and 3 to 20 years for intangibles.

Interest expense incurred on capital asset-related debt was $104.7 million for the year ended June 30, 2024.

Investment in Fred Hutchinson Cancer Center. On March 31, 2022, the members of the Seattle Cancer Care Alliance (SCCA): the University, Fred Hutchinson Cancer Research Center (Fred Hutch), and Seattle Children's Healthcare System (SCHS) agreed to merge Fred Hutch and SCCA; for SCCA to become a non-member non-profit Washington corporation, and for SCCA to be renamed Fred Hutchinson Cancer Center (FHCC). As part of the transaction, SCHS's interest of $285.9 million was purchased by the University and Fred Hutch with funding provided by Fred Hutch. SCHS no longer participates in the Adult Oncology Program but continues to offer pediatric cancer care services coordinated through separate affiliation agreements with FHCC and the University. The University entered into a promissory note to pay FHCC over a ten-year period for its 50% portion of the SCHS membership in SCCA. The non-participating investment in FHCC of $428.8 million, which is recorded within the statement of net position, reflects a non-monetary exchange accounted for based on the fair value of the assets involved. Specifically, the University used the fair value of the existing equity method investment in FHCC, based on the corresponding equity interest after the buyout of SCHS and prior to the exchange, to determine the value at which the investment in FHCC is recorded. The fair value method used inputs that are "unobservable data points" related to valuation, also known as level 3 inputs (see Note 5 for fair value hierarchy). This fair value will not be remeasured and will be assessed for impairment on an annual basis. No gain or loss was recorded on the transaction. At June 30, 2024, there was no impairment of the investment in FHCC.

The University and FHCC agreed to the Restructuring and Enhanced Collaboration Agreement (Collaboration Agreement), which clinically and financially integrated the adult cancer program between both entities. With this new arrangement, the University no longer holds a membership interest in SCCA. The Collaboration Agreement includes a Financial Alignment Plan (FAP) under which both parties share in the objectives of the adult oncology program and drive site neutrality for cancer services for the betterment of patient outcomes, and provides for a perpetual flow of funds between FHCC and the University to support the integrated cancer program. At June 30, 2024, the University recorded $52.8 million in financial alignment income, which is included in other nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Position. The University and FHCC will determine the final settlement of the annual FAP calculations 180 days after fiscal year end.

Leases. The University determines if an arrangement is a lease at inception of the lease contract. Lessee arrangements are included in capital assets and long-term liabilities in the Statement of Net Position. Lease assets represent the University's right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized on a straight-line basis over the lease term. Lease liabilities represent the University's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. The University recognizes payments for short-term leases with a lease term of 12 months or less as expense based on the provisions of the lease contract during the year.

Lessor arrangements are included in accounts receivables (current portion), lease receivable, net of current portion and deferred inflows of resources in the Statement of Net Position. Lease receivables represent the University's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at the commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term on a straight-line basis. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue on a straight-line basis over the lease term. The University recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received.

Subscription-Based Information Technology Arrangements (SBITA). A SBITA is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction for a term exceeding 12 months. The University recognizes a right-of-use subscription asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. SBITA assets are amortized on a straight-line basis over the contract term. SBITA liabilities represent the University's obligation to make contract payments arising from the SBITA. Interest expense is recognized ratably over the contract term. The SBITA term may include options to extend or terminate the contract when it is reasonably certain that the University will exercise that option. The University recognizes payments for short-term SBITAs with a term of 12 months or less as expense based on the provisions of the lease contract during the year.

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

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 Statement of Net Position (see remediation liabilities, note 7), 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 5 and 10 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 - UWSRP). Legislation signed into law on July 1, 2020, amended the Revised Code of Washington (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, 2024 reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. 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 UWSRP 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 UWSRP net pension liability is June 30 of the prior fiscal year (see note 10).

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 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 of 8.0% for gifts before fiscal year 2008 and 7.5% for gifts in fiscal year 2008 and after. 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, 2024 was $241.2 million, and is included in accounts payable and accrued liabilities in the University's Statement of Net Position. Sick leave accrued at June 30, 2024 was $72.1 million, and is included in long-term liabilities (see note 7) in the University's Statement of Net Position.

Scholarship Allowances. Tuition and fees are reported net of scholarship allowances which represent the difference between the stated charge for tuition and fees and the amount that is paid by the student or third parties on behalf of the student. Student aid paid directly to students is reported as scholarships and fellowships expense.

Net Patient Service Revenue. Net patient service revenue is 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.

Third-party payer agreements with Medicare, Medicaid and commercial insurance carriers provide for payments at amounts different from established rates and are part of contractual adjustments to net patient service revenue. Medicare reimbursements are paid during the year either prospectively or at an interim rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

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

Financial Assistance. UW Medicine 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 its financial assistance policy to the uninsured and the underinsured. UW Medicine does not pursue collection of amounts determined to qualify as financial assistance, therefore, these are not reported as net patient service revenues. 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 fiscal year 2024 was $30.5 million.

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

Operating Activities. The University's policy for reporting operating activities in the Statement 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, FHCC financial alignment income, 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.

NOTE 2:

Cash and Cash Equivalents

Cash includes cash on hand, petty cash and bank deposits. Cash equivalents includes treasury securities with original maturities of less than 90 days and money market funds with remaining underlying maturities of one year or less at the time of purchase. Most cash, except 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 3:

Deposit with State of Washington

State law requires the University to deposit certain funds with the state treasurer, who holds and invests the funds. 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 4:

Accounts Receivable

The major components of accounts receivable as of June 30, 2024 are as follows:

(Dollars in thousands)	**2024**
NET PATIENT SERVICES	$ 632,160
GRANTS AND CONTRACTS	293,869
DUE FROM OTHER AGENCIES	124,817
SALES AND SERVICES	94,307
SELF INSURANCE RECEIVABLE	41,674
LEASE RECEIVABLES (CURRENT PORTION)	33,053
STATE APPROPRIATIONS	32,235
INVESTMENTS	31,394
TUITION	22,006
OTHER	27,666
SUBTOTAL	1,333,181
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(98,168)
TOTAL	**$ 1,235,013**

NOTE 5:

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	2024	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	$ 1,527,890	$ 10,476	$ 1,517,414	$ —
U.S. GOVERNMENT AGENCY	354,432	10,062	344,370	—
MORTGAGE BACKED	235,872	—	235,872	—
ASSET BACKED	604,043	—	604,043	—
CORPORATE AND OTHER	423,568	17,595	405,973	—
TOTAL FIXED INCOME SECURITIES	**3,145,805**	**38,133**	**3,107,672**	**—**
EQUITY SECURITIES				
GLOBAL EQUITY INVESTMENTS	1,354,473	635,869	718,604	—
REAL ESTATE	19,168	16,029	—	3,139
OTHER	6,340	—	—	6,340
TOTAL EQUITY SECURITIES	**1,379,981**	**651,898**	**718,604**	**9,479**
EXTERNALLY MANAGED TRUSTS	**144,647**	**—**	**—**	**144,647**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**4,670,433**	**$ 690,031**	**$ 3,826,276**	**$ 154,126**

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	2,172,328
ABSOLUTE RETURN STRATEGY FUNDS	918,068
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	974,162
REAL ASSET FUNDS	227,209
OTHER	50,286
TOTAL INVESTMENTS MEASURED USING NAV	**4,342,053**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE AND NAV	9,012,486
CASH EQUIVALENTS AT AMORTIZED COST	223,191
TOTAL INVESTMENTS	**$ 9,235,677**

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. 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. Key information 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)*

2024	Fair Value	Total Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
GLOBAL EQUITY INVESTMENTS	$ 2,172,328	$ 31,707	MONTHLY TO ANNUALLY	15-180 days
ABSOLUTE RETURN STRATEGY FUNDS	918,068	—	QUARTERLY TO ANNUALLY	30-90 days
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	974,162	551,307	N/A	—
REAL ASSETS FUNDS	227,209	55,706	N/A	—
OTHER	50,286	23,939	QUARTERLY TO ANNUALLY	30-95 days
TOTAL INVESTMENTS MEASURED USING NAV	**$ 4,342,053**			

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, 2024, approximately 78% of the value of the investments in this category can be redeemed within 90 days and approximately 95% 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, 2024, approximately 94% 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, 2024, approximately 32% 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, 2024, the Short-term and Intermediate-term Invested Funds Pools totaled $2,691.0 million. The Invested Funds - Long-term Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $1,197.0 million at June 30, 2024. In addition, the Long-term Pool also owns a passive global equity index valued at $242.0 million as of June 30, 2024. 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 year 2024. University Advancement received 3.0% of the average balances in endowment operating and gift accounts in fiscal year 2024. 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.

The Board of Regents have a fiduciary responsibility to set an endowment spending policy that maintains the CEF's purchasing power to ensure the same level of program support in the future as it provides today. Quarterly distributions during fiscal year 2024 to programs are based on an annual percentage rate of 3.6%, applied to the five-year rolling average of the CEF's fair value. Additionally, the policy allows for an administrative fee of 0.9% to support campus-wide fundraising and stewardship activities and to offset the internal cost of managing endowment assets.

The University records its permanent endowments at the lower of original gift value or current fair value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current fair value at June 30, 2024, the net deficiency from the original gift value was $987 thousand.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized a net gain of $167.2 million in fiscal year 2024 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 year ended June 30, 2024 was $449.5 million.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2024, the University had outstanding commitments to fund alternative investments of $662.7 million. 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, 2024, the University had outstanding futures contracts with notional amounts totaling $133.8 million. As of June 30, 2024, accumulated unrealized gains on these contracts totaled $454 thousand. The accumulated unrealized gains are included in Investments on the Statement 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, 2024. No derivative instruments have been reclassified from a hedging instrument to an investment instrument.

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

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 2.13 years at June 30, 2024.

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. Fixed income securities in the Intermediate-term Pool are required to have an average quality rating of investment grade with at least 25% of its funds invested in obligations of the U.S. Government and its agencies. 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 3 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, 2024 exclude $50.3 million of fixed income securities held by blended component units. These amounts make up 1.60% of the University's fixed income investments, and are not included in the duration figures detailed in Table 3.

The composition of fixed income securities at June 30, 2024 along with credit quality and effective duration measures, is summarized as follows:

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

2024

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (In years)
U.S. TREASURY SECURITIES	$ 1,504,846	$ —	$ —	$ —	$ 1,504,846	2.21
U.S. GOVERNMENT AGENCY	343,976	—	—	—	343,976	4.49
MORTGAGE BACKED	—	62,512	71,601	101,758	235,871	1.52
ASSET BACKED	4,482	490,732	19,243	89,586	604,043	1.16
CORPORATE AND OTHER	—	341,206	—	65,527	406,733	1.68
TOTAL	**$ 1,853,304**	**$ 894,450**	**$ 90,844**	**$ 256,871**	**$ 3,095,469**	**2.13**

*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 at June 30, 2024.

TABLE 4 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)	**2024**
EURO (EUR)	$ 303,809
BRITISH POUND (GBP)	263,997
CHINESE RENMINBI (CNY)	189,279
JAPANESE YEN (JPY)	162,583
INDIAN RUPEE (INR)	160,728
CANADIAN DOLLAR (CAD)	61,815
SOUTH KOREAN WON (KRW)	55,431
BRAZIL REAL (BRL)	53,147
SWEDISH KRONA (SEK)	48,819
AUSTRALIAN DOLLAR (AUD)	44,966
HONG KONG DOLLAR (HKD)	43,082
SWISS FRANK (CHF)	39,133
TAIWANESE DOLLAR (TWD)	35,245
NORWEGIAN KRONE (NOK)	23,107
SINGAPORE DOLLAR (SGD)	22,016
SOUTH AFRICAN RAND (ZAR)	19,404
DANISH KRONE (DKK)	16,353
MEXICAN PESO (MXN)	12,138
INDONESIAN RUPIAH (IDR)	11,443
REMAINING CURRENCIES	224,575
TOTAL	**$ 1,791,070**

NOTE 6:

Capital Assets

Capital asset activity for the year ended June 30, 2024 is summarized as follows:

(Dollars in thousands)	Balance as of June 30, 2023	Additions/ Transfers	Retirements	Balance as of June 30, 2024
LAND	$ 162,420	$ 3,315	$ —	$ 165,735
INFRASTRUCTURE	323,115	30,998	—	354,113
BUILDINGS	8,151,400	446,763	1,956	8,596,207
FURNITURE, FIXTURES AND EQUIPMENT	1,638,690	266,067	32,609	1,872,148
LIBRARY MATERIALS	443,098	14,632	2,447	455,283
CAPITALIZED COLLECTIONS	8,627	113	—	8,740
INTANGIBLE ASSETS	282,341	177,252	33	459,560
RIGHT OF USE LEASE ASSETS (NOTE 9)	936,894	34,565	32,115	939,344
RIGHT OF USE SUBSCRIPTION ASSETS (NOTE 9)	85,106	96,376	4,586	176,896
CONSTRUCTION IN PROGRESS	513,576	(164,904)	15,743	332,929
INTANGIBLES IN PROCESS	152,476	(152,476)	—	—
TOTAL COST	**12,697,743**	**752,701**	**89,489**	**13,360,955**
LESS ACCUMULATED DEPRECIATION/AMORTIZATION:				
INFRASTRUCTURE	170,393	9,709	—	180,102
BUILDINGS	4,256,556	236,427	1,956	4,491,027
FURNITURE, FIXTURES AND EQUIPMENT	1,370,761	200,012	27,118	1,543,655
LIBRARY MATERIALS	343,716	13,398	1,934	355,180
INTANGIBLE ASSETS	152,958	71,039	33	223,964
RIGHT OF USE LEASE ASSETS (NOTE 9)	183,468	69,646	29,805	223,309
RIGHT OF USE SUBSCRIPTION ASSETS (NOTE 9)	33,686	31,541	3,264	61,963
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	**6,511,538**	**631,772**	**64,110**	**7,079,200**
CAPITAL ASSETS, NET	**$ 6,186,205**	**$ 120,929**	**$ 25,379**	**$ 6,281,755**

NOTE 7:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the year ended June 30, 2024 is summarized as follows:

(Dollars in thousands)	Balance as of June 30, 2023	Additions	Reductions	Balance as of June 30, 2024	Current portion as of June 30, 2024
BONDS PAYABLE:					
GENERAL OBLIGATION BONDS PAYABLE (NOTE 8)	$ 34,870	$ —	$ 11,840	$ 23,030	$ 8,910
REVENUE BONDS PAYABLE (NOTE 8)	2,214,595	386,446	314,402	2,286,639	80,048
UNAMORTIZED PREMIUM ON BONDS	137,365	59,294	14,486	182,173	20,431
TOTAL BONDS PAYABLE	**2,386,830**	**445,740**	**340,728**	**2,491,842**	**109,389**
NOTES PAYABLE:					
NOTES PAYABLE & OTHER -CAPITAL ASSET RELATED (NOTE 8)	40,387	5,390	17,024	28,753	8,436
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 8)	134,143	443	15,171	119,415	15,654
TOTAL NOTES PAYABLE	**174,530**	**5,833**	**32,195**	**148,168**	**24,090**
OTHER LONG-TERM LIABILITIES:					
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	49,691	1,181	—	50,872	1,181
REMEDIATION LIABILITIES (NOTE 1)	32,609	1,000	—	33,609	—
HMC ITS FUNDING (NOTE 15)	21,744	2,083	2,066	21,761	8,400
SICK LEAVE (NOTE 1)	65,143	33,062	26,091	72,114	23,824
SELF-INSURANCE (NOTE 13)	230,104	95,321	69,970	255,455	81,965
LEASE LIABILITIES (NOTE 9)	802,663	25,917	61,429	767,151	50,695
SUBSCRIPTION LIABILITIES (NOTE 9)	50,047	81,158	33,176	98,029	26,941
OTHER NONCURRENT LIABILITIES	7,616	15,327	8,967	13,976	81
TOTAL OTHER LONG-TERM LIABILITIES	**1,259,617**	**255,049**	**201,699**	**1,312,967**	**193,087**
TOTAL LONG-TERM LIABILITIES	**$3,820,977**	**$ 706,622**	**$ 574,622**	**$3,952,977**	**$ 326,566**

DISCRETE COMPONENT UNITS

Long-term liability activity for the year ended June 30, 2024 is summarized as follows:

	Balance as of June 30, 2023	Additions	Reductions	Balance as of June 30, 2024	Current portion as of June 30, 2024
VALLEY MEDICAL CENTER *(Dollars in thousands)*					
LIMITED TAX GENERAL OBLIGATION BONDS	$ 290,578	$ —	$ 13,815	$ 276,763	$ 10,675
LEASE LIABILITIES	97,881	18,788	14,192	102,477	15,028
SUBSCRIPTION LIABILITIES	9,490	6,243	6,412	9,321	5,511
TOTAL LONG-TERM LIABILITIES	**$ 397,949**	**$ 25,031**	**$ 34,419**	**$ 388,561**	**$ 31,214**

	Balance as of June 30, 2023	Additions	Reductions	Balance as of June 30, 2024	Current portion as of June 30, 2024
FRED HUTCHINSON CANCER CENTER *(Dollars in thousands)*					
LONG TERM DEBT	$ 1,086,339	$ —	$ 16,189	$ 1,070,150	$ 14,250
COLLABORATIVE ARRANGEMENT LIABILITIES	428,824	—	—	428,824	—
LEASE LIABILITIES	227,513	—	32,240	195,273	20,816
DEFERRED CREDIT ON CASH FLOW HEDGES	9,614	—	4,002	5,612	—
TOTAL LONG-TERM LIABILITIES	**$1,752,290**	**$ —**	**$ 52,431**	**$1,699,859**	**$ 35,066**

NOTE 8:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2024 consist of state of Washington General Obligation Bonds, University General Revenue Bonds, and Notes Payable. These obligations have interest rates ranging from 0.35% to 6.25%. As of June 30, 2024, substantially all of the University's debt was publicly offered debt. Debt service requirements as of June 30, 2024 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**
2025	$ 8,910	$ 939	$ 80,048	$ 101,195	$ 24,090	$ 5,983
2026	5,265	525	97,021	97,415	17,204	5,257
2027	5,210	266	95,105	93,541	17,655	4,509
2028	2,105	104	109,250	89,261	18,407	3,728
2029	1,540	31	100,625	84,812	19,195	2,912
2030-2034	—	—	517,410	357,893	51,617	3,615
2035-2039	—	—	538,440	232,135	—	—
2040-2044	—	—	538,250	102,552	—	—
2045-2049	—	—	202,445	28,337	—	—
2050-2054	—	—	8,045	462	—	—
TOTAL PAYMENTS	**$ 23,030**	**$ 1,865**	**$ 2,286,639**	**$ 1,187,603**	**$ 148,168**	**$ 26,004**

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 patient service revenues, tuition, timber sales and other revenues.

The following schedule lists the outstanding bonds payable of the University as of June 30, 2024:

BONDS PAYABLE *(Dollars in thousands)*

Issue	Date Issued	Maturity Date (Fiscal Year)	Interest Rate	Original Issue	Current Liability	Balance 6/30/24
Lease Revenue						
Series 2010B - Taxable Lease Revenue	12/14/2010	2043	6.031%-6.516%	$ 151,745	$ 7,153	$ 91,414
Series 2013 - Lease Revenue	12/11/2013	2034	3.625%-5.000%	28,995	1,195	14,545
Series 2014A - Lease Revenue	8/21/2014	2038	4.000%-5.000%	109,205	3,180	61,600
Series 2015A - Lease Revenue	10/7/2015	2048	4.000%-5.000%	107,615	3,240	91,150
General Revenue						
Series 2009 - Taxable Revenue	6/25/2009	2040	6.060%	75,835	—	75,835
Series 2009B - Taxable Revenue	12/22/2009	2036	5.400%	77,710	—	77,710
Series 2010B - Taxable Revenue	10/5/2010	2041	3.908%-4.997%	144,740	1,510	133,820
Series 2012C - Revenue	12/5/2012	2044	3.000%-3.250%	299,425	—	165,585
Series 2015A - Taxable Revenue	3/4/2015	2045	2.717%-3.704%	47,715	1,065	30,870
Series 2015B - Revenue	3/4/2015	2037	3.050%-5.000%	170,555	6,705	127,680
Series 2015C - Revenue	9/23/2015	2046	4.000%-5.000%	159,160	4,120	137,270
Series 2015D - Taxable Revenue	9/23/2015	2028	2.750%-3.250%	36,350	2,675	8,760
Series 2016A - Revenue Refunding	11/9/2016	2047	4.000%-5.250%	195,145	4,765	161,650
Series 2016B - Taxable Revenue Refunding	11/9/2016	2037	2.400%-3.400%	10,015	480	4,895
Series 2018 - Revenue	2/15/2018	2048	5.000%	133,785	6,150	102,585
Series 2020A - Revenue	3/17/2020	2050	4.000%-5.000%	51,000	1,295	46,415
Series 2020B - Taxable Revenue	3/17/2020	2040	1.490%-2.685%	51,000	2,425	41,630
Series 2020C - Revenue Refunding	2/9/2021	2034	5.000%	117,815	—	73,790
Series 2021A - Revenue Refunding	3/4/2021	2051	4.000%-5.000%	77,435	510	76,735
Series 2021B - Taxable Revenue Refunding	3/4/2021	2042	0.600%-2.618%	249,335	10,950	137,985
Series 2022A - Revenue	3/8/2022	2037	5.000%	75,000	4,230	67,360
Series 2022B - Taxable Revenue Refunding	3/8/2022	2042	1.720%-3.350%	209,090	12,755	80,210
Series 2022C - Revenue Refunding	3/8/2022	2048	4.000%	90,700	—	90,700
Series 2024A - Revenue	2/15/2024	2044	5.000%	218,355	5,645	218,355
Series 2024B - Revenue Refunding	2/15/2024	2042	5.000%	168,090	—	168,090

(continued)

BONDS PAYABLE (continued) *(Dollars in thousands)*						
Issue	Date Issued	Maturity Date (Fiscal Year)	Interest Rate	Original Issue	Current Liability	Balance 6/30/24
State of WA General Obligations						
2016A GO (R-2006A)	10/8/2015	2025	1.676%	$ 30,145	$ 3,865	$ 3,865
2020A GO UW ((R-2010B)(R-2001C))	10/4/2019	2027	1.384%	1,585	285	580
2020C GO UW (R-2011B (R-2002A))	4/29/2020	2027	1.120%	5,065	—	5,065
2020C GO UW (R-2011B (R-2002B))	4/29/2020	2027	1.100%	2,640	525	1,675
2021B GO UW (R-2011A (R-2002A))	11/3/2020	2025	0.347%	8,910	2,395	2,395
2021C GO UW (R-2012A (R-2003D))	5/4/2021	2025	1.439%	1,060	540	540
2021C GO UW (R-2012A (R-2004A))	5/4/2021	2025	1.439%	2,665	935	935
2022C GO UW (2012C)(R-2004D)	5/11/2022	2029	2.820%	2,390	365	1,995
2022C GO UW (R-2012C)(2003D)	5/11/2022	2028	2.820%	1,795	—	1,790
2022C GO UW (R-2012C)(2004A)	5/11/2022	2029	2.820%	4,215	—	4,190
TOTAL				**$ 3,116,285**	**$ 88,958**	**$ 2,309,669**

ISSUANCE AND REFUNDING ACTIVITY

On February 15, 2024, the University issued $218.4 million of tax-exempt General Revenue Bonds, 2024A, at a premium of $34.2 million and an average coupon of 5.0%. The average life is 10.0 years with a final maturity on April 1, 2044. Proceeds will be used for the payoff of commercial paper that funded the Finance Transformation project on an interim basis and to fund UWMC Small-Works projects, the Montlake Campus Membrane Repair project and Operating Room Expansion. Additionally, the University issued $168.1 million of General Revenue Refunding Bonds, 2024B, at a premium of $25.1 with an average coupon of 5.0%. The average life is 10.4 years with a final maturity on July 1, 2041. The bonds tendered and refunded by the 2024B Series had a par amount of $221.9 million and coupon rates ranging from 0.60% to 3.35% with an average coupon rate of 2.64%. The refunding reduced the total debt service payments to be made by the University over the next 19 years by $29.0 million and resulted in a total economic gain of $19.4 million.

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. During fiscal year 2024, the University issued $114.5 million of commercial paper and refunded $158.0 million in commercial paper with General Revenue Bonds. The University had no commercial paper outstanding as of June 30, 2024.

CREDIT LINES

Effective September, 14, 2023, the University entered into a Master Financing Agreement (the "2023 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 2023 Master Financing Agreement provides financing for the University's FAST Program and allows for draws in an aggregate amount not to exceed $40.0 million. JP Morgan Chase Bank and the University entered into three prior master financing agreements, one dated August 13, 2020 (the "2020 Master Financing Agreement"), one dated July 7, 2017, (the "2017 Master Financing Agreement"), and another dated November 14, 2014 (the "2014 Master Financing Agreement"), which allowed for draws up to an aggregate amount not to exceed $40.0 million, $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, 2024 totaled $18.9 million.

On August 13, 2020, the University entered into a Revolving Loan Agreement with Washington Federal Bank, National Association, which provided a revolving loan through August 1, 2023, for up to $100.0 million. Taxable borrowings under the agreement had a fixed interest rate of 2.21%; tax-exempt borrowings had a fixed interest rate of 1.75%. Amounts borrowed under the agreement were 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, 2024.

On August 13, 2020, the University entered into a Revolving Credit Agreement with U.S. Bank National Association which provided a revolving line of credit through August 12, 2022, for up to $100.0 million. On September 30, 2021, the University entered into the Amended and Restated Revolving Credit Agreement, which adjusted the rates from the prior agreement and extended the term through September 30, 2024. On December 1, 2022, the University entered into the first amendment to the Amended and Restated Revolving Credit Agreement, which replaced LIBOR with SOFR as the applicable reference rate. Borrowings for tax-exempt projects under the agreement bear interest at a fluctuating rate equal to 82% of the daily one-month SOFR rate plus a margin of 0.63%; borrowings for taxable projects bear interest at a fluctuating rate equal to the daily one-month SOFR rate plus a margin of 0.75%. 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, 2024.

SUBSEQUENT DEBT ACTIVITY

On September 30, 2024, the Second Amendment to the Amended and Restated Revolving Credit Agreement with US Bank National Association was executed, which extends the existing $100.0 million line of credit for an additional three year term through September 30, 2027. The borrowing rate for taxable projects is fluctuating and equal to the daily one-month SOFR rate plus a margin of 0.75%. The borrowing rate for tax-exempt projects is fluctuating and equal to 86.51% of the taxable interest rate.

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, 2024, $20.8 million of bonds outstanding are considered defeased. In addition, $10.3 million of in-substance defeased debt remains outstanding as of June 30, 2024 and is included in long-term liabilities on the Statement of Net Position.

NOTE 9:

Leases and Related Subscription-Based Information Technology Arrangements

LESSEE & SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The University leases land, building space and equipment from external parties for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2063 and provide for renewal options ranging from one year to twenty-five years. In accordance with GASB Statement No. 87, the University records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Amounts recognized for variable and other payments not included in the measurement of the lease liability are $73.9 million for the year ended June 30, 2024. The University does not have any leases subject to a residual value guarantee.

A SBITA is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction for a term exceeding 12 months. The University enters into subscription-based information technology arrangements which expire at various dates through 2034. In accordance with GASB Statement No. 96, the University recognizes a right-of-use subscription asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. Similar to leases, the expected future subscription payments are discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance.

The University's right-of-use assets and related accumulated amortization for fiscal year ended June 30, 2024 are summarized as follows:

(Dollars in thousands)	Balance as of June 30, 2023	Additions	Modifications and Renewals	Deductions	Balance as of June 30, 2024
RIGHT OF USE ASSETS					
LAND	$ 404,832	$ —	$ —	$ —	$ 404,832
BUILDINGS	417,201	28,191	—	14,211	431,181
EQUIPMENT	114,861	5,897	477	17,904	103,331
SUBSCRIPTION ASSETS	85,106	76,932	19,444	4,586	176,896
TOTAL RIGHT OF USE ASSETS	**1,022,000**	**111,020**	**19,921**	**36,701**	**1,116,240**
LESS ACCUMULATED AMORTIZATION					
LAND	28,299	9,433	—	—	37,732
BUILDINGS	104,892	40,106	—	13,282	131,716
EQUIPMENT	50,277	20,107	—	16,523	53,861
SUBSCRIPTION ASSET	33,686	31,541	—	3,264	61,963
TOTAL ACCUMULATED AMORTIZATION	**217,154**	**101,187**	**—**	**33,069**	**285,272**
TOTAL RIGHT OF USE ASSETS, NET	**$ 804,846**	**$ 9,833**	**$ 19,921**	**$ 3,632**	**$ 830,968**

Total future annual lease payments under lessee agreements as of June 30, 2024 are as follows:

Year *(Dollars in thousands)*	**Principal**	**Interest**	**Total**
2025	$ 50,695	$ 24,311	$ 75,006
2026	35,138	24,051	59,189
2027	33,686	22,737	56,423
2028	27,473	21,834	49,307
2029	15,192	21,161	36,353
2030-2034	61,417	108,524	169,941
2035-2039	57,120	110,527	167,647
2040-2044	47,026	107,897	154,923
2045-2049	60,763	80,089	140,852
2050-2054	95,417	63,087	158,504
2055-2059	141,511	40,937	182,448
2060-2064	141,713	11,240	152,953
Total	**$ 767,151**	**$ 636,395**	**$ 1,403,546**

As of June 30, 2024, the University has one lease for building space that has not yet commenced with lease payments due on an undiscounted basis of $127.0 million over the lease term. This lease will commence in fiscal year 2025 and has a 40-year term.

Total future annual subscription payments under subscription-based arrangements as of June 30, 2024 are as follows:

Year *(Dollars in thousands)*	**Principal**	**Interest**	**Total**
2025	$ 26,941	$ 3,702	$ 30,643
2026	20,094	2,920	23,014
2027	12,812	2,150	14,962
2028	15,780	1,278	17,058
2029	11,568	965	12,533
2030-2034	10,834	479	11,313
Total	**$ 98,029**	**$ 11,494**	**$ 109,523**

LESSOR ARRANGEMENTS

The University leases building and ground space to external parties with significant activity occurring within the Metropolitan Tract (Note 1). The leases expire at various dates through 2098 and provide for renewal options ranging from one year to twenty-five years. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Amounts recognized for variable and other payments not included in the measurement of the lease receivable are $28.7 million for the year ended June 30, 2024. The University recognized revenues related to lease agreements totaling $89.8 million during fiscal year 2024 reported in other operating revenues in the Statement of Revenue, Expenses and Changes in Net Position.

Future minimum lease payments to be received under lessor agreements as of June 30, 2024 are as follows:

Year *(Dollars in Thousands)*	**Principal**	**Interest**	**Total**
2025	$ 33,053	$ 12,106	$ 45,159
2026	31,496	11,215	42,711
2027	27,504	10,753	38,257
2028	20,255	10,377	30,632
2029	15,657	9,635	25,292
2030 - 2034	47,163	39,859	87,022
2035 - 2039	19,688	33,833	53,521
2040 - 2044	12,078	31,746	43,824
2045 - 2049	13,761	30,212	43,973
2050 - 2054	16,170	28,442	44,612
2055 - 2059	19,476	25,895	45,371
2060 - 2064	19,528	23,339	42,867
2065 - 2069	19,391	21,127	40,518
2070 - 2074	18,536	18,855	37,391
2075 - 2079	18,295	17,075	35,370
2080 - 2084	18,020	15,112	33,132
2085 - 2089	11,933	8,629	20,562
2090 - 2094	18,201	3,977	22,178
2095 - 2097	14,432	809	15,241
Total	**$ 394,637**	**$ 352,996**	**$ 747,633**

NOTE 10:

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, 2024, the University's share of the total net pension assets associated with the defined-benefit pension plans administered by the DRS was $468.7 million. The University's share of the total net pension liabilities was $207.7 million. As of June 30, 2024, the net pension liability associated with the defined benefit pension plan administered by the University was $161.8 million. As of June 30, 2024, assets held by the University to pay retiree benefits in connection with the pension plan administered by the University were $360.8 million. These assets are in addition to those now residing with the Washington State Investment Board. For the year ended June 30, 2024, total pension expense (benefit) recorded by the University related to both the DRS and University plans was $(53.3) million.

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 Annual Comprehensive 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/news/

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 in 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 2024 pension liabilities are based on an OSA valuation performed as of June 30, 2022, with the results rolled forward to the measurement date of June 30, 2023.

The following actuarial assumptions have been applied to all prior periods included in the measurement:

2024	
INFLATION	2.75% TOTAL ECONOMIC INFLATION, 3.25% SALARY INFLATION
SALARY INCREASE	EXPECTED TO GROW BY SERVICE-BASED SALARY INCREASES IN ADDITION TO SALARY INFLATION ASSUMPTION OF 3.25%
INVESTMENT RATE OF RETURN	7.00%

Mortality rates were developed using 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, 2022 valuations were based on the results of the 2013-2018 Demographic Experience Study Report and 2021 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, including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The 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 7.00% as of measurement date June 30, 2023, 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 date, are summarized in the following table:

	2024 *(Measurement Date 2023)*	
Asset Class	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**
FIXED INCOME	20.00%	1.50%
TANGIBLE ASSETS	7.00%	4.70%
REAL ESTATE	18.00%	5.40%
GLOBAL EQUITY	32.00%	5.90%
PRIVATE EQUITY	23.00%	8.90%

The inflation component used to create the above table was 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation at the time of these valuations.

DISCOUNT RATE

The discount rate used to measure the total pension liabilities as of June 30, 2024 was 7.00%. 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 7.00% future investment rate of return on pension plan investments was assumed as of measurement date June 30, 2023. 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 share of the net pension liabilities and assets calculated using the discount rate of 7.00% as of measurement date June 30, 2023, 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)*

	2024 *(Measurement Date 2023)*		
Plan	**1% Decrease**	**Current Discount Rate**	**1% Increase**
PERS 1	$ 282,561	$ 202,252	$ 132,161
PERS 2/3	506,196	(465,417)	(1,263,658)
TRS 1	8,260	5,426	2,950
TRS 2/3	16,780	(520)	(14,584)
LEOFF 2	451	(2,722)	(5,320)

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 of 0.20% during fiscal year 2024. 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 year ended June 30, 2024:

(Dollars in Thousands)	**PERS 1**	**PERS 2/3[(a)]**	**TRS 1**	**TRS 2/3[(a)]**	**LEOFF 2**
2024					
CONTRIBUTION RATE	10.39 %	10.39 %	14.69 %	14.69 %	8.71 %
CONTRIBUTIONS MADE	$ 55,320	$ 117,093	$ 1,008	$ 3,512	$ 290

(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 and assets recorded by the University as of June 30, 2024 was June 30, 2023. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2023 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, 2023 Schedules of Employer and Nonemployer Allocations. 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, 2024	8.86 %	11.36 %	0.43 %	0.42 %	0.11 %

UNIVERSITY AGGREGATED BALANCES

The table below presents the University's aggregated balance of net pension liability and net pension asset as of June 30 2024:

(Dollars in Thousands)	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2024						
NET PENSION LIABILITY	$ 202,252	$ —	$ 5,426	$ —	$ —	$ 207,678
NET PENSION ASSET	—	465,417	—	520	2,722	468,659

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 (BENEFIT) EXPENSE *(Dollars in Thousands)*	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
YEAR ENDED JUNE 30, 2024	$ (2,371)	$ (52,798)	$ 322	$ 1,420	$ 115	$ (53,312)

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*						
2024	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
CHANGE IN ASSUMPTIONS	$ —	$ 195,398	$ —	$ 4,128	$ 696	$ 200,222
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	94,805	—	4,526	1,112	100,443
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	8,771	—	1	2,355	11,127
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [(a)]	55,320	117,093	1,008	3,512	290	177,223
TOTAL	**$ 55,320**	**$ 416,067**	**$ 1,008**	**$ 12,167**	**$ 4,453**	**$ 489,015**

(a) Recognized as a reduction of the net pension liability as of June 30, 2025

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*						
2024	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 22,815	$ 175,397	$ 786	$ 2,493	$ 576	$ 202,067
CHANGE IN ASSUMPTIONS	—	42,589	—	409	224	43,222
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	5,200	—	73	22	5,295
TOTAL	**$ 22,815**	**$ 223,186**	**$ 786**	**$ 2,975**	**$ 822**	**$ 250,584**

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**
2025	$ (15,522)	$ (81,637)	$ (549)	$ (501)	$ 71	$ (98,138)
2026	(19,521)	(98,959)	(694)	(891)	(22)	(120,087)
2027	12,036	148,005	444	2,617	798	163,900
2028	192	54,248	13	1,126	469	56,048
2029	—	51,580	—	1,052	475	53,107
THEREAFTER	—	2,551	—	2,277	1,550	6,378
TOTAL	**$ (22,815)**	**$ 75,788**	**$ (786)**	**$ 5,680**	**$ 3,341**	**$ 61,208**

(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, 2024 was 20,268.

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 year ended June 30, 2024 were $169.1 million.

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, 2024 net pension liabilities, 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. Participant data is updated biannually in the actuarial valuations. The table below shows the number of participants in the UWSRP as of June 30, 2024:

NUMBER OF PARTICIPANTS	**2024** *(Measurement Date: 2023)*
ACTIVE EMPLOYEES	4,117
INACTIVE EMPLOYEES RECEIVING BENEFITS	1,289
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	341

VESTING AND BENEFITS PROVIDED

UWSRP retirement benefit provisions are contained in RCW 28B.10.400, et. seq. 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 year ended June 30, 2024 were $11.7 million.

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, 2024 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in the fiscal year ended June 30, 2024 were $8.4 million.

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 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. The annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense, for the measurement period ended June 30, 2023 was 7.16%. 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.

OTHER DESIGNATED ASSETS

The University has also 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, 2024, the University had set aside $360.8 million to pay future UWSRP retiree benefits. These assets are in addition to those amounts now residing with the WSIB, which are reflected as a reduction of the TPL.

UWSRP PENSION LIABILITY

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 uses accounting guidance for single employer plans that have trusted assets and reports the pension liability net of plan assets.

GASB Statement No. 68 “Accounting and Financial Reporting for Pensions” allows the employer to use a measurement date for the Total Pension Liability (TPL) and the Net Pension Liability (NPL) no earlier than the end of the employer’s prior fiscal year. In prior years, the measurement date used by the University for valuation of the TPL and the NPL were the same as the University’s financial reporting date. In fiscal year 2024, however, the University elected to transition to using a measurement date which lags the financial reporting date by one year. As a result of this transition, the June 30, 2024 NPL is based on a measurement date of June 30, 2023. There was no material impact associated with this change. The TPL, Plan Fiduciary Net Position, and NPL for UWSRP remained unchanged from the prior year at $274.3 million, $112.5 million, and $161.8 million, respectively, as there were no changes to the components of pension liabilities in fiscal year 2024. No pension expense for the UWSRP plan has been recorded in the year ended June 30, 2024 due to the transition described above. Additionally, the contributions made after the June 30, 2023 measurement date and before the end of the June 30, 2024 fiscal year are recorded as Deferred Outflows of Resources instead of reflected as a reduction of the NPL in the current fiscal year.

The June 30, 2024 TPL and NPL is based on an actuarial valuation performed as of January 1, 2023 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2023. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. OSA’s model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). The valuation was prepared using the entry age actuarial cost method.

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 the measurement date June 30, 2023 to record the pension obligation as of June 30, 2024:

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE UWSRP NET PENSION LIABILITY (NPL) *(Dollars in thousands)*	
2024	
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	7.00%
CHANGE IN DISCOUNT RATE SINCE PRIOR MEASUREMENT DATE	NA
SOURCE OF DISCOUNT RATE	2021 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY
INVESTMENT RATE OF RETURN	7.00%
NPL MEASUREMENT AT DISCOUNT RATE	$161,773
NPL DISCOUNT RATE INCREASED 1%	$135,272
NPL DISCOUNT RATE DECREASED 1%	$192,736

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) is 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 the measurement date June 30, 2023, are summarized in the following table:

		2024 *(Measurement Date 2023)*
Asset Class	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**
FIXED INCOME	20.00%	1.50%
TANGIBLE ASSETS	7.00%	4.70%
REAL ESTATE	18.00%	5.40%
GLOBAL EQUITY	32.00%	5.90%
PRIVATE EQUITY	23.00%	8.90%

As noted above, the discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the University would pay retiree benefits from assets designated for that purpose, until such time that responsibility for these payments transfers to the DRS and payments are funded by the plan assets invested in the CTF. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

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)*		
2024		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	100,648
CHANGE IN ASSUMPTIONS		95,609
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [a]		20,036
TOTAL	**$**	**216,293**

(a) Recognized as a reduction of the net pension liability as of June 30, 2025

DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*		
2024		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	259,025
CHANGE IN ASSUMPTIONS		158,992
NET DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS		2,998
TOTAL	**$**	**421,015**

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

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in thousands)*		
Year		
2025	$	(59,906)
2026		(46,326)
2027		(37,008)
2028		(71,315)
2029		(8,332)
THEREAFTER		(1,871)
TOTAL	**$**	**(224,758)**

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

NOTE 11:

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 for members enrolled in Medicare Parts A and B, reducing the monthly premium paid for Medicare supplemental plan coverage. 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 up to $183 per member per month during fiscal year 2024.

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 includes 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, 2024:

NUMBER OF PARTICIPANTS	**2024** *(Measurement Date: 2023)*
ACTIVE EMPLOYEES	37,498
INACTIVE EMPLOYEES RECEIVING BENEFITS	10,845
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	N/A *

- Data not available from Washington State Health Care Authority (HCA)

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 in 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, 2024:

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*

	2024
INFLATION	2.35%
HEALTHCARE COST TREND	INITIAL RATE RANGES FROM 2% - 11%, REACHING AN ULTIMATE RATE OF 3.80% IN 2080.
SALARY INCREASE	3.25% 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	3.65%
SOURCE OF DISCOUNT RATE	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/23 (MEASUREMENT DATE)
POST-RETIREMENT PARTICIPATION PERCENTAGE	60.00%
TOL MEASUREMENT AT DISCOUNT RATE	$1,277,506
TOL DISCOUNT RATE INCREASED 1%	$1,102,742
TOL DISCOUNT RATE DECREASED 1%	$1,494,768
TOL MEASUREMENT AT HEALTHCARE COST TREND RATE	$1,277,506
TOL HEALTHCARE COST TREND RATE INCREASED 1%	$1,540,089
TOL HEALTHCARE COST TREND RATE DECREASED 1%	$1,073,493

Material assumption changes during the measurement period ending June 30, 2023 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, 2024 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2022, with the results rolled forward to the measurement date of June 30, 2023. 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 29.2% as of June 30, 2024.

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 paying 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 JUNE 30, 2023		**1,246,057**
SERVICE COST		44,755
INTEREST ON TOL		44,957
CHANGE IN ASSUMPTIONS		(21,618)
BENEFIT PAYMENTS		(31,314)
CHANGE IN PROPORTIONATE SHARE		(5,331)
BALANCE AS OF JUNE 30, 2024	**$**	**1,277,506**

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, 2024	$	(29,444)

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*		
2024		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	19,398
CHANGE IN ASSUMPTIONS		83,013
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY		32,192
CHANGE IN PROPORTIONATE SHARE		120,958
TOTAL	**$**	**255,561**

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*		
2024		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	37,937
CHANGE IN ASSUMPTIONS		765,408
CHANGE IN PROPORTIONATE SHARE		17,105
TOTAL	**$**	**820,450**

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		
2025	$	(119,156)
2026		(119,156)
2027		(88,916)
2028		(48,803)
2029		(60,360)
THEREAFTER		(160,690)
TOTAL	**$**	**(597,081)**

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

NOTE 12:

Deferred Outflows and Deferred Inflows of Resources

The composition of deferred outflows and deferred inflows of resources as of June 30, 2024 is summarized as follows:

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*				
2024		**DEFERRED OUTFLOWS OF RESOURCES**		**DEFERRED INFLOWS OF RESOURCES**
Pensions	$	705,308	$	671,599
Leases		—		536,626
OPEB		255,561		820,450
Split-Interest Agreements		—		20,270
Public-Private Partnership		—		17,627
Unamortized Gain on Refinancing		—		31,405
Other		6,544		—
Total	**$**	**967,413**	**$**	**2,097,977**

NOTE 13:

Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2024 were $218.8 million. 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, UWMC 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 PBI. The University's self-insurance reserve (see note 7) represents the estimated ultimate cost of settling all self-insured claims resulting from events that have occurred on or before the Statement 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 Statement of Net Position. Changes in the self-insurance reserve for the year ended June 30, 2024 are noted below:

(Dollars in thousands)		**2024**
RESERVE AT BEGINNING OF FISCAL YEAR	$	230,104
INCURRED CLAIMS AND CHANGES IN ESTIMATES		95,321
CLAIM PAYMENTS		(69,970)
RESERVE AT END OF FISCAL YEAR	**$**	**255,455**

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, 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.

NOTE 14:

Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2024 are summarized as follows:

OPERATING EXPENSES *(Dollars in thousands)*		**2024**
INSTRUCTION	$	1,160,032
RESEARCH		1,250,935
PUBLIC SERVICE		296,788
ACADEMIC SUPPORT		838,236
STUDENT SERVICE		44,858
INSTITUTIONAL SUPPORT		343,414
OPERATION & MAINTENANCE OF PLANT		249,893
SCHOLARSHIPS & FELLOWSHIPS		208,881
AUXILIARY ENTERPRISES		372,928
MEDICAL-RELATED		3,195,545
DEPRECIATION/AMORTIZATION		507,400
TOTAL OPERATING EXPENSES	**$**	**8,468,910**

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 the University serves in an agency function. As of June 30, 2024, the University's financial statements included accounts receivable and long-term receivables from HMC of $72.4 million and $19.2 million, respectively, and current accrued liabilities of $34.2 million related to HMC.

Under an annual agreement, HMC provides strategic funding to UW Medicine Primary Care. Funding from HMC to UW Medicine Primary Care was $17.1 million during fiscal year 2024, and is included in other operating revenue in the Statement 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 the current portion and non-current portion of long-term liabilities (see note 7) of $8.4 million and $13.4 million, respectively at June 30, 2024, 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 fiscal year 2024, the UWF transferred $181.6 million 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 $6.1 million from the University in support of its operations in fiscal year 2024. These amounts were expensed by the University.

NOTE 16:

Blended Component Units

Condensed combining statement for the University and its blended component units is shown below:

(Dollars in thousands) **Statement of Net Position – June 30, 2024**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
ASSETS							
TOTAL CURRENT ASSETS	$ 3,062,190	$ (556,694)	$ 3,279,419	$ 339,465	$ 103,245	$ 6,030	$ 230,190
NONCURRENT ASSETS:							
TOTAL OTHER ASSETS	9,144,695	(5,733)	8,889,789	260,639	248,071	12,568	—
CAPITAL ASSETS, NET	6,281,755	(6,965)	5,981,854	306,866	48,552	258,314	—
TOTAL ASSETS	18,488,640	(569,392)	18,151,062	906,970	399,868	276,912	230,190
DEFERRED OUTFLOWS OF RESOURCES	967,413	—	967,413	—	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 19,456,053**	**$ (569,392)**	**$ 19,118,475**	**$ 906,970**	**$ 399,868**	**$ 276,912**	**$ 230,190**
LIABILITIES							
TOTAL CURRENT LIABILITIES	$ 1,825,087	$ (556,694)	$ 1,855,023	$ 526,758	$ 355,864	$ 24,968	$ 145,926
TOTAL NONCURRENT LIABILITIES	5,294,829	(5,733)	4,843,790	456,772	29,202	254,080	173,490
TOTAL LIABILITIES	7,119,916	(562,427)	6,698,813	983,530	385,066	279,048	319,416
DEFERRED INFLOWS OF RESOURCES	2,097,977	(6,965)	2,104,942	—	—	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,217,893	(569,392)	8,803,755	983,530	385,066	279,048	319,416
NET POSITION							
NET INVESTMENT IN CAPITAL ASSETS	3,060,366	—	3,056,391	3,975	12,930	(8,955)	—
RESTRICTED:							
NONEXPENDABLE	2,365,225	—	2,365,225	—	—	—	—
EXPENDABLE	3,389,617	—	3,389,582	35	35	—	—
UNRESTRICTED	1,422,952	—	1,503,522	(80,570)	1,837	6,819	(89,226)
TOTAL NET POSITION	10,238,160	—	10,314,720	(76,560)	14,802	(2,136)	(89,226)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 19,456,053**	**$ (569,392)**	**$ 19,118,475**	**$ 906,970**	**$ 399,868**	**$ 276,912**	**$ 230,190**

(Dollars in thousands)

Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2024	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
REVENUES							
OPERATING REVENUES:							
PATIENT SERVICES	$ 3,046,075	$ 181,301	$ 2,427,392	$ 437,382	$ 437,382	$ —	$ —
STUDENT TUITION AND FEES	1,173,727	—	1,173,727	—	—	—	—
GRANT REVENUE	1,693,793	—	1,693,431	362	362	—	—
OTHER OPERATING REVENUE	1,544,711	(445,300)	1,744,822	245,189	111,992	49,728	83,469
TOTAL OPERATING REVENUES	**7,458,306**	**(263,999)**	**7,039,372**	**682,933**	**549,736**	**49,728**	**83,469**
EXPENSES							
OPERATING EXPENSES:							
OTHER OPERATING EXPENSES	7,961,510	(262,218)	7,567,218	656,510	566,603	23,675	66,232
DEPRECIATION / AMORTIZATION	507,400	(1,781)	482,070	27,111	8,947	18,164	—
TOTAL OPERATING EXPENSES	**8,468,910**	**(263,999)**	**8,049,288**	**683,621**	**575,550**	**41,839**	**66,232**
OPERATING (LOSS) INCOME	**(1,010,604)**	**—**	**(1,009,916)**	**(688)**	**(25,814)**	**7,889**	**17,237**
NONOPERATING REVENUES (EXPENSES)							
STATE APPROPRIATIONS	604,140	—	604,140	—	—	—	—
GIFTS	178,400	—	178,362	38	38	—	—
INVESTMENT INCOME	763,826	—	739,901	23,925	23,925	—	—
OTHER NONOPERATING REVENUES (EXPENSES)	235,875	1,576	245,617	(11,318)	(1,096)	(10,222)	—
NET NONOPERATING REVENUES (EXPENSES)	**1,782,241**	**1,576**	**1,768,020**	**12,645**	**22,867**	**(10,222)**	**—**
INCOME (LOSS) BEFORE OTHER REVENUES	**771,637**	**1,576**	**758,104**	**11,957**	**(2,947)**	**(2,333)**	**17,237**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	114,213	(1,576)	113,819	1,970	1,970	—	—
GIFTS TO PERMANENT ENDOWMENTS	104,609	—	104,609	—	—	—	—
TOTAL OTHER REVENUES (EXPENSES)	**218,822**	**(1,576)**	**218,428**	**1,970**	**1,970**	**—**	**—**
INCREASE (DECREASE) IN NET POSITION	**990,459**	**—**	**976,532**	**13,927**	**(977)**	**(2,333)**	**17,237**
NET POSITION							
NET POSITION – BEGINNING OF YEAR	9,247,701	—	9,338,188	(90,487)	15,779	197	(106,463)
NET POSITION – END OF YEAR	**$ 10,238,160**	**$ —**	**$ 10,314,720**	**$ (76,560)**	**$ 14,802**	**$ (2,136)**	**$ (89,226)**

(Dollars in thousands) **Statement of Cash Flows - Year Ended June 30, 2024**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
NET CASH PROVIDED (USED) BY:							
OPERATING ACTIVITIES	$ (593,081)	$ —	$ (652,001)	$ 58,920	$ 14,670	$ 14,661	$ 29,589
NONCAPITAL FINANCING ACTIVITIES	1,261,024	—	1,196,891	64,133	64,133	—	—
CAPITAL AND RELATED FINANCING ACTIVITIES	(680,584)	—	(640,461)	(40,123)	(12,164)	(27,959)	—
INVESTING ACTIVITIES	59,358	—	139,285	(79,927)	(50,338)	—	(29,589)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**46,717**	**—**	**43,714**	**3,003**	**16,301**	**(13,298)**	**—**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	149,493	—	67,140	82,353	66,194	16,159	—
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 196,210**	**$ —**	**$ 110,854**	**$ 85,356**	**$ 82,495**	**$ 2,861**	**$ —**

NOTE 17:

Discrete Component Units

Condensed combining statement for the University's discrete component units is shown below:

(Dollars in thousands) **Statement of Net Position**	**June 30, 2024** **Total Discrete Component Units**	**Valley Medical Center**	**Fred Hutchinson Cancer Center**
ASSETS			
TOTAL CURRENT ASSETS	$ 1,261,319	$ 323,972	$ 937,347
NONCURRENT ASSETS:			
TOTAL OTHER ASSETS	1,468,851	96,598	1,372,253
CAPITAL ASSETS, NET	1,590,121	458,192	1,131,929
TOTAL ASSETS	4,320,291	878,762	3,441,529
DEFERRED OUTFLOWS OF RESOURCES	10,689	10,689	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 4,330,980**	**$ 889,451**	**$ 3,441,529**
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 528,747	$ 200,313	$ 328,434
TOTAL NONCURRENT LIABILITIES	2,022,140	357,348	1,664,792
TOTAL LIABILITIES	2,550,887	557,661	1,993,226
DEFERRED INFLOWS OF RESOURCES	46,461	46,461	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,597,348	604,122	1,993,226
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	245,768	79,262	166,506
RESTRICTED:			
NONEXPENDABLE	131,506	—	131,506
EXPENDABLE	559,444	2,454	556,990
UNRESTRICTED	796,914	203,613	593,301
TOTAL NET POSITION	1,733,632	285,329	1,448,303
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 4,330,980**	**$ 889,451**	**$ 3,441,529**

(Dollars in thousands) **Statement of Revenues, Expenses and Changes in Net Position**	**Year ended June 30, 2024** **Total Discrete Component Units**	**Valley Medical Center**	**Fred Hutchinson Cancer Center**
REVENUES			
OPERATING REVENUES:			
PATIENT SERVICES	$ 2,157,311	$ 855,509	$ 1,301,802
OTHER OPERATING REVENUE	743,597	52,162	691,435
TOTAL OPERATING REVENUES	**2,900,908**	**907,671**	**1,993,237**
EXPENSES			
OPERATING EXPENSES:			
OTHER OPERATING EXPENSES	2,878,758	901,070	1,977,688
DEPRECIATION / AMORTIZATION	129,524	49,349	80,175
TOTAL OPERATING EXPENSES	**3,008,282**	**950,419**	**2,057,863**
OPERATING LOSS	**(107,374)**	**(42,748)**	**(64,626)**
NONOPERATING REVENUES (EXPENSES)			
PROPERTY TAX REVENUE	26,144	26,144	—
INVESTMENT INCOME	153,228	7,235	145,993
OTHER NONOPERATING REVENUES	15,417	59,564	(44,147)
NET NONOPERATING REVENUES	**194,789**	**92,943**	**101,846**
INCOME BEFORE OTHER REVENUES	**87,415**	**50,195**	**37,220**
CAPITAL GRANTS, GIFTS AND OTHER	36,583	—	36,583
INCREASE IN NET POSITION	**123,998**	**50,195**	**73,803**
NET POSITION			
NET POSITION – BEGINNING OF YEAR	1,609,634	235,134	1,374,500
NET POSITION – END OF YEAR	**$ 1,733,632**	**$ 285,329**	**$ 1,448,303**

Schedules of Required Supplementary Information

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

(Dollars in thousands)	2024	2023	2022	2021	2020
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.86%	8.87%	8.80%	8.17%	8.05%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 202,252	$ 246,895	$ 107,461	$ 288,564	$ 309,671
UNIVERSITY'S COVERED PAYROLL	$ 1,573,579	$ 1,437,993	$ 1,343,149	$ 1,227,868	$1,116,298
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	12.85%	17.17%	8.00%	23.50%	27.74%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	80.16%	76.56%	88.74%	68.64%	67.12%

(Dollars in thousands)	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.20%	8.44%	8.46%	8.33%	8.28 %
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 366,403	$ 400,426	$ 454,341	$ 435,853	$ 417,231
UNIVERSITY'S COVERED PAYROLL	$ 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	34.09%	38.38%	46.01%	47.02%	47.29 %
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	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)	2024	2023	2022	2021	2020
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 332	$ 392	$ 443	$ 710	$ 970
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 332	$ 392	$ 442	$ 710	$ 971
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ 1	$ —	$ (1)
UNIVERSITY'S COVERED PAYROLL	$ 1,844,603	$ 1,573,579	$ 1,437,993	$ 1,343,149	$ 1,227,868
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.02%	0.02%	0.03%	0.05%	0.08%

(Dollars in thousands)	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,231	$ 1,582	$ 1,788	$ 2,155	$ 2,058
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,234	$ 1,578	$ 1,769	$ 2,155	$ 2,059
CONTRIBUTION DEFICIENCY (EXCESS)	$ (3)	$ 4	$ 19	$ —	$ (1)
UNIVERSITY'S COVERED PAYROLL	$ 1,116,298	$ 1,074,943	$ 1,043,335	$ 987,405	$ 927,002
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	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)	2024	2023	2022	2021	2020
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	11.36%	11.47%	11.18%	10.47%	10.18%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY	$ (465,417)	$ (425,399)	$(1,114,120)	$ 133,891	$ 98,901
UNIVERSITY'S COVERED PAYROLL	$ 1,569,796	$ 1,433,725	$1,337,667	$1,220,321	$1,106,678
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(29.65)%	(29.67)%	(83.29)%	10.97%	8.94%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	107.02%	106.73%	120.29 %	97.22 %	97.77 %

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

(Dollars in thousands)	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	10.24%	10.48%	10.36%	10.20%	10.00%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 174,913	$ 364,073	$ 521,777	$ 364,303	$ 202,225
UNIVERSITY'S COVERED PAYROLL	$ 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	16.46%	35.44%	53.91%	40.27%	23.60%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	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)	2024	2023	2022	2021	2020
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 175,695	$ 162,654	$ 148,636	$ 173,198	$ 156,919
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 175,671	$ 162,738	$ 147,638	$ 173,204	$ 157,000
CONTRIBUTION DEFICIENCY (EXCESS)	$ 24	$ (84)	$ 998	$ (6)	$ (81)
UNIVERSITY'S COVERED PAYROLL	$ 1,841,127	$ 1,569,796	$ 1,433,725	$ 1,337,667	$ 1,220,321
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	9.54%	10.36%	10.37%	12.95%	12.86%

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

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2024	2023	2022	2021	2020
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.43%	0.37%	0.35%	0.28%	0.25%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 5,426	$ 6,956	$ 2,337	$ 6,800	$ 6,200
UNIVERSITY'S COVERED PAYROLL	$ 35,776	$ 28,990	$ 25,479	$ 20,153	$ 16,677
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	15.17%	23.99%	9.17%	33.74%	37.18%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	85.09%	78.24%	91.42%	70.55 %	70.37 %

(Dollars in thousands)	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.24%	0.20%	0.16%	0.13%	0.10%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 7,061	$ 6,076	$ 5,463	$ 4,049	$ 2,881
UNIVERSITY'S COVERED PAYROLL	$ 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	50.49%	55.40%	69.92%	69.93%	73.78%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	66.52%	65.58%	62.07%	65.70 %	68.77 %

(Amounts determined as of the measurement date)

Unaudited – see accompanying independent auditors' report

TRS 1 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2024	2023	2022	2021	2020
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 17	$ 30	$ 42	$ 56	$ 55
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 17	$ 30	$ 42	$ 56	$ 55
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ —	$ —	$ —
UNIVERSITY'S COVERED PAYROLL	$ 43,737	$ 35,776	$ 28,990	$ 25,479	$ 20,153
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.04%	0.09%	0.15%	0.22%	0.27%

(Dollars in thousands)	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 52	$ 48	$ 39	$ 38	$ 44
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 52	$ 48	$ 40	$ 38	$ 42
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ (1)	$ —	$ 2
UNIVERSITY'S COVERED PAYROLL	$ 16,677	$ 13,986	$ 10,967	$ 7,813	$ 5,790
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	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)	2024	2023	2022	2021	2020
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.42%	0.36%	0.34%	0.28%	0.25%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY	$ (520)	$ (712)	$ (9,301)	$ 4,233	$ 1,487
UNIVERSITY'S COVERED PAYROLL	$ 35,569	$ 28,704	$ 25,124	$ 19,800	$ 16,337
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(1.46)%	(2.48)%	(37.02)%	21.38%	9.10%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	100.49%	100.86%	113.72%	91.72%	96.36%

(Dollars in thousands)	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.24%	0.19%	0.15%	0.12%	0.08%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 1,066	$ 1,796	$ 2,077	$ 969	$ 252
UNIVERSITY'S COVERED PAYROLL	$ 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	7.80%	16.83%	27.67%	18.05%	7.43%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	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)	2024	2023	2022	2021	2020
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 4,589	$ 5,210	$ 4,202	$ 3,945	$ 3,068
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 4,588	$ 5,212	$ 4,198	$ 3,943	$ 3,029
CONTRIBUTION DEFICIENCY (EXCESS)	$ 1	$ (2)	$ 4	$ 2	$ 39
UNIVERSITY'S COVERED PAYROLL	$ 43,585	$ 35,569	$ 28,704	$ 25,124	$ 19,800
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	10.53%	14.65%	14.64%	15.70%	15.49%

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

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2024	2023	2022	2021	2020
UNIVERSITY'S PROPORTION OF THE NET PENSION ASSET	0.11%	0.15%	0.18%	0.22%	0.23%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET	$ 2,722	$ 4,212	$ 10,480	$ 4,535	$ 5,365
UNIVERSITY'S COVERED PAYROLL	$ 3,004	$ 3,760	$ 4,187	$ 5,059	$ 4,882
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET AS A PERCENTAGE OF ITS COVERED PAYROLL	90.64%	112.01%	250.30%	89.64%	109.91%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION ASSET	113.17%	116.09%	142.00%	115.83%	119.43%

(Dollars in thousands)	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION ASSET	0.23%	0.22%	0.25%	0.20%	0.21%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET	$ 4,590	$ 2,995	$ 1,430	$ 2,083	$ 2,844
UNIVERSITY'S COVERED PAYROLL	$ 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	102.30%	73.74%	31.97%	58.94%	79.42%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION ASSET	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)	2024	2023	2022	2021	2020
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 297	$ 262	$ 328	$ 367	$ 444
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 297	$ 262	$ 327	$ 367	$ 446
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ 1	$ —	$ (2)
UNIVERSITY'S COVERED PAYROLL	$ 3,398	$ 3,004	$ 3,760	$ 4,187	$ 5,059
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	8.73%	8.71%	8.72%	8.77%	8.78%

(Dollars in thousands)	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 436	$ 400	$ 348	$ 384	$ 303
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 435	$ 403	$ 352	$ 384	$ 300
CONTRIBUTION DEFICIENCY (EXCESS)	$ 1	$ (3)	$ (4)	$ —	$ 3
UNIVERSITY'S COVERED PAYROLL	$ 4,882	$ 4,487	$ 4,061	$ 4,474	$ 3,534
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	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)	2024 (*)	2023	2022	2021
TOTAL PENSION LIABILITY - BEGINNING	$ 274,309	$ 316,127	$ 216,672	$ 781,829
SERVICE COST	—	5,068	3,699	22,877
INTEREST ON TPL	—	22,106	15,933	17,677
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	(31,360)	67,986	(372,651)
CHANGE IN ASSUMPTIONS	—	(26,643)	22,150	(223,327)
BENEFIT PAYMENTS	—	(10,989)	(10,313)	(9,733)
NET CHANGE IN TOTAL PENSION LIABILITY	—	(41,818)	99,455	(565,157)
TOTAL PENSION LIABILITY - ENDING (a)	**274,309**	**274,309**	**316,127**	**216,672**
PLAN FIDUCIARY NET POSITION - BEGINNING	**112,536**	**96,989**	**90,341**	**60,961**
EMPLOYER CONTRIBUTIONS	—	8,358	6,548	7,105
NET INVESTMENT INCOME	—	7,189	100	22,275
NET CHANGE IN PLAN FIDUCIARY NET POSITION	—	15,547	6,648	29,380
PLAN FIDUCIARY NET POSITION - ENDING (b)	**112,536**	**112,536**	**96,989**	**90,341**
UWSRP NET PENSION LIABILITY (a) minus (b)	**$ 161,773**	**$ 161,773**	**$ 219,138**	**$ 126,331**
PLAN FIDUCIARY NET POSITION AS PERCENTAGE OF THE TOTAL PENSION LIABILITY	41.03 %	41.03 %	30.68 %	41.69 %
UWRP COVERED PAYROLL	$ 2,199,526	$ 2,199,526	$ 1,723,087	$ 1,733,240
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	7.35 %	7.35 %	12.72 %	7.29 %

* In fiscal year 2024, the University elected to transition to a measurement date that lags the financial report date by one year. As a result, the June 30, 2024 NPL is based on a measurement date of June 30, 2023. There was no material impact associated with this change.

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%

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (UWSRP)
SCHEDULE OF UWSRP CONTRIBUTIONS

(Dollars in thousands)	2024	2023	2022	2021
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 8,371	$ 8,358	$ 6,548	$ 6,586
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 8,371	$ 8,358	$ 6,548	$ 7,105
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ —	$ (519)
UWRP COVERED PAYROLL	$ 2,216,600	$ 2,199,526	$ 1,723,087	$ 1,733,240
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.38 %	0.38 %	0.38 %	0.41 %

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL)							
(Dollars in thousands)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
TOTAL OPEB LIABILITY - BEGINNING	$ 1,246,057	$ 1,861,478	$ 1,696,027	$ 1,541,654	$ 1,354,177	$ 1,565,213	$ 1,685,909
SERVICE COST	44,755	91,921	93,039	70,380	62,422	84,665	106,112
INTEREST ON TOL	44,957	42,650	40,211	58,874	54,148	58,207	49,703
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	(42,238)	—	(9,022)	—	53,132	—
CHANGE IN ASSUMPTIONS	(21,618)	(713,147)	17,180	38,164	100,838	(370,652)	(242,454)
BENEFIT PAYMENTS	(31,314)	(31,335)	(30,635)	(28,031)	(24,769)	(24,584)	(25,330)
CHANGE IN PROPORTIONATE SHARE	(5,331)	36,728	45,656	83,976	(5,162)	(11,804)	(8,727)
OTHER	—	—	—	(59,968)	—	—	—
TOTAL OPEB LIABILITY - ENDING	**$ 1,277,506**	**$ 1,246,057**	**$ 1,861,478**	**$ 1,696,027**	**$ 1,541,654**	**$ 1,354,177**	**$ 1,565,213**
OPEB COVERED-EMPLOYEE PAYROLL	$ 3,565,520	$ 3,231,736	$ 3,092,943	$ 2,895,664	$ 2,724,791	$ 2,493,991	$ 2,529,127
TOTAL OPEB LIABILITY AS PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	35.83%	38.56%	60.18%	58.57%	56.58%	54.30%	61.89%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2024

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, 2021 valuation date, completed in the fall of 2022, plus any supplemental contribution rates from the preceding legislative session, determines the ADC for the period beginning July 1, 2023, and ending June 30, 2025.

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 the 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 years ending June 30, 2024, 2023, 2022 and 2021 is based on the payroll of participants in the University's 403(b) defined contribution UWRP. Covered payroll for the fiscal year ending June 30, 2020 and preceding years is based on the payroll of the participants of the UWSRP.

The source for the discount rate changed in 2021 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.

The June 30, 2024 TPL and NPL is based on an actuarial valuation performed as of January 1, 2023 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2023. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. OSA's model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). The valuation was prepared using the entry age actuarial cost method.

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 2024 relate to an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.54% for the June 30, 2022 measurement date, to 3.65% for the June 30, 2023 measurement date. This Change in Assumption resulted in a decrease in the TOL.

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The 2024 UW Financial Report and reports from previous years are available at annualreport.uw.edu

For more information, contact Financial Accounting at accountg@uw.edu

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UNIVERSITY *of*
WASHINGTON

SUPPLEMENTAL BONDHOLDER INFORMATION

SUPPLEMENTAL BONDHOLDER INFORMATION

OFFICIAL STATEMENT DISCLOSURES

2024 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 7 - 9)
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 as a whole and 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 “Revenues from All Sources.”	Section 2 (UW Financial Report - MD&A)

CONTINUES NEXT PAGE

2024 CONTINUING DISCLOSURE	LOCATION IN BONDHOLDERS REPORT
Total University expenditures by category for that Fiscal Year.	Section 2 (UW Financial Report - MD&A and SRECNP)
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.[1]	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 10)
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 11)
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 7)

(1) In 2012 the University adopted GASB Statement No 63. This resulted in the renaming of net assets as net position.

APPLICATIONS, STUDENTS & ENROLLMENT

	AUTUMN QUARTER[1] 2023 FY24	2024 FY25
UNDERGRADUATE		
Freshmen		
Applied	70,365 [2]	78,418 [2]
Accepted	33,557	35,119
Percent Accepted to Applied	48%	45%
Enrolled	8,848	9,023
Percent Enrolled to Accepted	26%	26%
Transfers		
Applied	7,655	8,351
Accepted	4,248	4,526
Percent Accepted to Applied	55%	54%
Enrolled	2,761	2,918
Percent Enrolled to Accepted	65%	64%
Total Undergraduate FTE[3]		
Bothell	4,917	5,114
Seattle	31,691	32,752
Tacoma	3,846	3,994
Total All Campuses	40,454	41,860
Totals Undergraduate Headcount		
Bothell	5,255	5,478
Seattle	33,973	35,397
Tacoma	4,027	4,222
Total All Campuses	43,255	45,097
Additional Enrollment Statistics		
Percent of Undergraduates Outside State—Domestic[4]	19%	21%
Percent of Undergraduates Outside State—International[4]	10%	9%
Percent Retention (Freshman to Sophomore)	93%	93%
Mean GPA	3.78	3.76
Median GPA	3.87	3.86
Percent of Class Reporting GPA Data	100%	100%
Mean Combined SAT Scores	1340	1360
Median Combined SAT Scores	1390	1420
Percent of Class Reporting SAT Data[5]	15%	14%
GRADUATE		
Applied	35,441	38,924
Accepted	11,761	11,908
Percent Accepted to Applied	33%	31%
Enrolled	5,252	5,295
Percent Enrolled to Accepted	45%	44%
Graduate FTE	16,117	16,275
Graduate Headcount	15,216	15,440

(1) Unless otherwise noted, all figures include Seattle, Tacoma and Bothell campuses.

(2) Common App was added as an application option in 2023.

(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.

(4) Based on headcount.

(5) SAT test requirement was removed for incoming students in Fall of 2021 and thereafter.

APPLICATIONS, STUDENTS & ENROLLMENT CONTINUED

	AUTUMN QUARTER[1]	
	2023 FY24	2024 FY25
PROFESSIONAL		
Law		
Applied	2,336	2,489
Accepted	810	1,008
Enrolled	181	179
Law Headcount	522	535
Pharmacy		
Applied	388	361
Accepted	194	292
Enrolled	99	100
Pharmacy Headcount	395	373
Dentistry		
Applied	729	977
Accepted	113	112
Enrolled	63	63
Dental Headcount	269	271
Medicine		
Applied	7,017	5,078
Accepted	375	361
Enrolled	273	275
Medicine Headcount	1,035	1,036
Total Professional FTE	3,923	3,919
Total Professional Headcount	2,221	2,215
Tuition and Fees (full academic year)[2]		
Undergraduate Resident	$12,901	$13,183
Undergraduate Non-Resident	$42,255	$43,419
Graduate Resident	$18,891	$19,002
Graduate Non-Resident	$32,769	$33,021
Business Masters Resident	$40,266	$40,203
Business Masters Non-Resident	$58,104	$58,041
Law Resident	$43,842	$45,054
Law Non-Resident	$55,875	$56,901
Pharmacy Resident	$36,243	$36,180
Pharmacy Non-Resident	$57,807	$49,731
Medical Resident	$41,580	$42,723
Medical Non-Resident	$73,164	$75,255
Dentistry Resident	$49,512	$50,412
Dentistry Non-Resident	$74,139	$74,076
University FTE[3]		
Undergraduate	40,454	41,860
Graduate	16,117	16,275
Professional	3,923	3,919
Total University FTE	60,494	62,054
University Headcount		
Undergraduate	43,255	45,097
Graduate	15,216	15,440
Professional	2,221	2,215
Total University Headcount	60,692	62,752

(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		
	2022 FY23	2023 FY24	2024 FY25[2]
FACULTY DATA[1]			
Number of faculty	5,731	5,890	N/A
Tenure rate (%)	47%	46%	N/A
Percent holding terminal degree (Ph.D., MD, DDS)	84%	81%	N/A
HOUSING AND DINING[3]			
Room and Board[4]	$ 14,417	$15,149	$15,915
Autumn Opening Occupancy[5]	8,654	8,515	8,439
Occupancy[6]	110%	112%	111%

(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).

(2) Final Autumn 2024 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) 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]

UW MEDICAL CENTER, NORTHWEST, VALLEY, AND UW MEDICINE SELECT UNITS - UW DIVISION FINANCIAL INFORMATION ($000)	Year Ending June 30, 2023[2][3]	2024[2][3]
UW Medical Center		
Total Operating Revenue[4]	$ 2,256,126	$ 2,564,986
Operating Margin[5]	(3.5%)	1.7%
Net Income[6]	$ 115,339	$ 260,135
Northwest[7]		
Total Operating Revenue[4]	N/A	N/A
Operating Margin[5]	N/A	N/A
Net Income[6]	N/A	N/A
Valley		
Total Operating Revenue[4]	$ 889,001	$ 907,671
Operating Margin[5]	(4.8%)	(6.4%)
Net Income[6]	$ 11,094	$ 50,195
UW Medicine Select Units - UW Division		
Total Operating Revenue[4]	$ 2,903,849	$ 3,282,350
Operating Margin[5]	(2.6%)	1.3%
Net Income[6]	$ 135,514	$ 288,472

UW MEDICAL CENTER, NORTHWEST, VALLEY, AND UW MEDICINE SELECT UNITS - UW DIVISION PATIENT STATISTICS	Year Ending June 30, 2023	2024
UW Medical Center		
Admissions	29,001[8]	30,119[8]
Outpatient Visits	467,511[8]	393,587[8]
Emergency Visits	69,933[8]	72,397[8]
Northwest		
Admissions	N/A[8]	N/A[8]
Outpatient Visits	N/A[8]	N/A[8]
Emergency Visits	N/A[8]	N/A[8]
Valley		
Admissions	16,298	17,018
Outpatient Visits	743,334	738,922
Emergency Visits	83,330	88,319
UW Medicine Select Units - UW Division		
Admissions	29,001	30,119
Outpatient Visits	856,246	820,836
Emergency Visits	69,933	72,397

MEDICARE/MEDICAID PAYMENTS

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

(1) In FY22, the "Clinical Enterprise" was renamed to "UW Medicine Select Units - UW Division". The composition of units within UW Medicine Select Units - UW Division are the same as those included in the Clinical Enterprise.

(2) Includes net pension and post retirement obligations income/(expense) of $36 million in 2020, $53 million in 2021, $145 million in 2022, $85 million in 2023, and $117 million in 2024 for the entities included in the Select Units Financial Statements. These figures include $34 million in 2020, $42 million in 2021, $119 million in 2022, $68 million in 2023, and $92 million in 2024 attributable to UW Medical Center.

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

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

(5) Operating Margin is calculated as the difference between operating revenue and total expenses divided by operating revenue.

(6) Income before capital contributions and other transfers.

(7) 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 for FY23 and FY24, respectively, were $451 million and $573 million. Net revenue is post-integration and is included within the UW Medical Center financial results.

(8) 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 for FY23 and FY24, respectively, were as follows: Admissions, 9,529 and 10,094; Outpatient Visits, 203,585 and 195,628; Emergency Visits, 37,604 and 38,478.

(9) Reflects UW Medicine Select Units - UW Division gross patient services revenue only. For the years ended June 30, 2023 and 2024, Medicare revenue represented 38 percent for each; Medicaid revenue represented 16 percent and 15 percent, respectively.

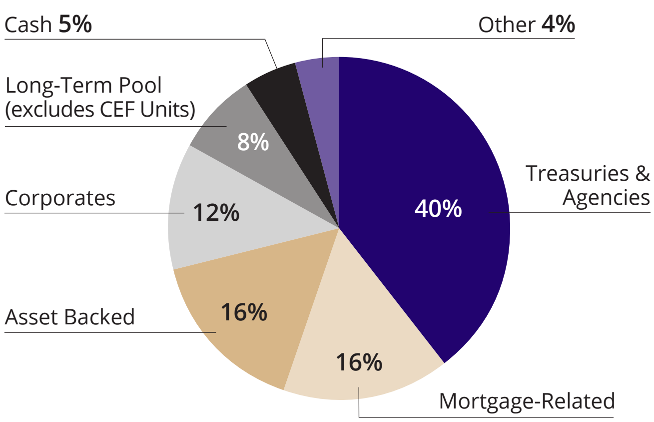
CONSOLIDATED ENDOWMENT AND INVESTED FUNDS

MARKET VALUES AND RETURNS ($000)

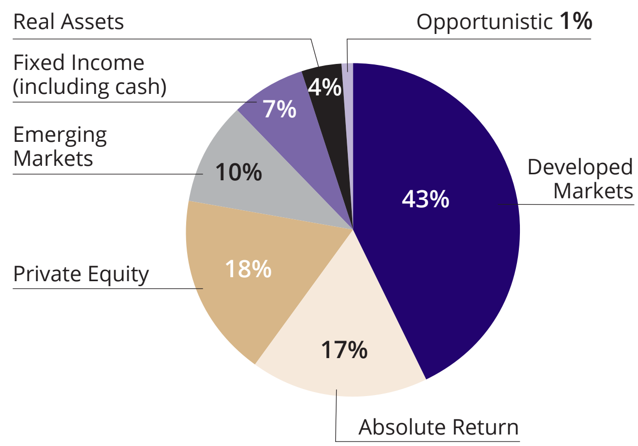
INVESTED FUNDS (IF)	Year Ending June 30, 2023	2024
Total Market Value[1]	$2,915	$2,933
Annualized One-Year Return	2.5%	6.2%

CONSOLIDATED ENDOWMENT FUND (CEF)[2]	Year Ending June 30, 2023	2024
Total Market Value	$4,940	$5,457
Annualized One-Year Return	6.0%	11.3%

IF PORTFOLIO BREAKDOWN[1]
$2,933 Million
(as of 06/30/2024)



CEF PORTFOLIO BREAKDOWN
$5,457 Million
(as of 06/30/2024)



ENDOWMENT RETURN & SPENDING	Year Ending June 30, 2023	2024
Total Annual Return on Endowment	$277,252	$557,404
Amount of Annual Return Spent	$201,571	$216,539
Effective Actual Annual Spending Rate	4.3%	4.4%

CEF SPENDING POLICY

The spending policy change was in 2019 in a phased approach that was completed in FY2022. Distributions to campus for endowed programs are 3.6 percent of the average market value of the CEF for the previous 20 quarters. There is an additional 0.9 percent administrative fee bringing the total annual spending to 4.5 percent. Total distribution shown.

(1) Represents the Short- and Intermediate-term Pools, Long-Term Pool (excludes CEF units)
(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, 2023	2024
Daily Liquidity[1]		
Checking & Deposit Accounts	$ 70,549	$ 120,819
Money Market Funds	96,470	58,213
U.S. Treasuries & Agencies	1,831,969	1,632,671
Total Daily Liquidity	**1,998,988**	**1,811,704**
Other Assets[2] [3]	986,830	1,242,140
Total Daily & Weekly Liquidity	**$ 2,985,818**	**$ 3,053,843**

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

(2) 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.

(3) Other Assets includes Supplemental Retirement Plan funds totaling $346 million in 2023 and $360 million in 2024.

Note: Totals may not sum due to rounding.

FUTURE DEBT SERVICE

as of June 30, 2024

($000)	FISCAL YEAR 2025	2026	2027	2028	2029	2030 – 2051
TOTAL UNIVERSITY DEBT SERVICE						
State General Obligation Bonds	$ 9,849	$ 5,790	$ 5,476	$ 2,209	$ 1,571	$ –
State Certificates of Participation	$ –	$ –	$ –	$ –	$ –	$ –
Revenue Bonds						
General Revenue Bonds[1]	$ 152,467	$ 160,806	$ 158,395	$ 173,569	$ 163,875	$ 2,273,020
Lease Revenue Bonds[2]	$ 28,047	$ 26,763	$ 26,613	$ 26,466	$ 22,490	$ 260,919
Subtotal: General Revenue Bonds Debt Service	**$ 190,363**	**$ 193,359**	**$ 190,484**	**$ 202,244**	**$ 187,936**	**$ 2,533,938**
Commercial Paper	$ –	$ –	$ –	$ –	$ –	$ –
Equipment Leases & Other[3][4]	$ 22,583	$ 22,294	$ 22,164	$ 22,136	$ 22,107	$ 55,232
Total Debt Service All Obligations	**$ 212,946**	**$ 215,654**	**$ 212,648**	**$ 224,379**	**$ 210,043**	**$ 2,589,171**

(1) General Revenue Bonds Series 2009A&B, 2010B, 2012C, 2013, 2015ABC&D, 2016A&B, 2018, 2020AB&C, 2021A&B, 2022AB&C, 2024A&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. Other debt service includes Fred Hutchinson Cancer Care promissory note obligation.

(4) Effective January 1, 2020, Northwest Hospital debt is included in Other. Values include bank loans associated with Northwest Hospital prior to integration.

SUPPLEMENTAL FINANCIAL REPORTS

SUPPLEMENTARY INFORMATION
(GENERAL REVENUES)

SUPPLEMENTAL FINANCIAL
INFORMATION

UNIVERSITY OF WASHINGTON

Supplementary Information

June 30, 2024

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2800
401 Union Street
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 the aggregate discretely presented component units of the University of Washington (the University), an agency of the state of Washington, as of and for the year ended June 30, 2024, and have issued our report thereon dated November 8, 2024 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The reconciliation of total university revenue to general revenue and the reconciliation of total University of Washington unrestricted net position to general net position is presented for the purposes of additional analysis and is 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 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.

The report is intended solely for the information and use of the Board of Regents and management of the University and rating agencies and bondholders who have previously received the financial statements of the University as of and for the year ended June 30, 2024, 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

Seattle, Washington
November 8, 2024

UNIVERSITY OF WASHINGTON

Supplementary Information

Reconciliation of Total University Revenue to General Revenue

Year ended June 30, 2024

(Dollars in thousands)

General revenue:	
Total revenue	$ 9,564,055
Less:	
State appropriations	604,140
Grant and contract direct costs	1,364,282
Gifts	178,400
Revenues of component units	677,217
Student activities fees and U-Pass fees	51,822
Student technology fees, student building fees, and student loan funds	95,466
Metropolitan Tract	46,380
Trust and endowment income, net unrealized gains on noninvested funds investments, component unit investment income, and other restricted investment income	556,163
Capital appropriations	77,378
Capital grants, gifts and other	36,835
Other nonoperating revenues	235,024
Gifts to permanent endowments	104,609
Total general revenue	$ 5,536,339
General revenue components:	
Student tuition and fees (less student activities fees, U-Pass fees, technology fees, building fees, and financial aid funds)	$ 1,038,066
Grant and contract indirect costs	382,263
Invested funds distribution and net invested funds unrealized gains (note 2)	207,664
Sales and services of educational departments	533,885
Patient services	2,427,396
Auxiliary systems	520,413
Fred Hutchinson Cancer Center	52,787
Other operating revenues	373,865
Total general revenue	$ 5,536,339

See accompanying notes to supplementary information and the independent auditors' report on supplementary information.

UNIVERSITY OF WASHINGTON

Supplementary Information

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

June 30, 2024

(Dollars in thousands)

Total University unrestricted net position per financial statements	$	1,422,952
Less:		
Student and activities fees		35,146
Net position (deficit) of component units:		
UW Medicine Primary Care (formerly UW Neighbourhood Clinics)		1,837
Northwest Hospital (prior to merger with UWMC)		(131,628)
Real estate entities		6,819
Total to be excluded, net		(87,826)
General net position, including pensions and other post-employment benefits (OPEB)		1,510,778
Impact of GASB 68 – Pensions		(499,415)
Impact of GASB 75 – OPEB		1,842,394
General net position, excluding GASB 68 pensions and OPEB *	$	2,853,757

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

See accompanying notes to supplementary information and the independent auditors' report on supplementary information.

(1) Basis of Presentation

The Reconciliation of Total University Revenue to General Revenue 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 March 31, 2022, the members of the Seattle Cancer Care Alliance (SCCA): the University, Fred Hutchinson Cancer Research Center (Fred Hutch), and Seattle Children's Healthcare System (SCHS) agreed to merge Fred Hutch and SCCA; for SCCA to become a non-member non-profit Washington corporation, and for SCCA to be renamed Fred Hutchinson Cancer Center (FHCC). In addition to the restructure of the former SCCA corporate entity, the University and FHCC agreed to the Restructuring and Enhanced Collaboration Agreement (Restructuring Agreement), which clinically and financially integrates the adult cancer program between both entities. The University recorded financial alignment income in other nonoperating revenues in the statement of revenues, expenses, and changes in net position. These income amounts are reflected in the Reconciliation of Total University Revenue to General Revenue for the year ended June 30, 2024, as part of the General Revenue components, which are available to meet bondholder obligations.

Unrestricted Net Position as of June 30, 2024, reflects the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, during fiscal year 2015 and the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), during fiscal year 2018 (the Statements). 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.

(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.

KPMG

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES

(A Department of University of Washington)

Financial Statements

June 30, 2024

(With Independent Auditors' Report Thereon)

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

Table of Contents

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Regents
University of Washington:

Opinion

We have audited the financial statements of the University of Washington Housing and Food Services (the Department), a department of the University of Washington, as of and for the year ended June 30, 2024 , 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the University of Washington that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2024, the changes in its financial position, or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. 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 U.S. generally accepted accounting principles, 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.

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

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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on page 3 through 9 and the schedules of required supplementary information on pages 41 through 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Seattle, Washington
November 19, 2024

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 Housing and Food Services (HFS) as of and for the year ended June 30, 2024. 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 of HFS are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the University of Washington that is attributable to the transactions of HFS. They do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2024, the changes in its financial position or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Using the Financial Statements

The financial statements of HFS include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement 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.

Summary Statements of Net Position

The Statements of Net Position present the financial condition of HFS and reports assets, deferred outflows of resources, liabilities, and deferred inflows of resources and net position. 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:

		2024	2023
Assets:			
Current assets	$	250,128,114	119,917,933
Noncurrent assets		542,392,698	553,873,276
Total assets		792,520,812	673,791,209
Deferred outflows		7,111,501	7,576,353
Total assets and deferred outflows	$	799,632,313	681,367,562

		2024	2023
Liabilities:			
Current liabilities	$	35,711,034	37,503,498
Noncurrent liabilities		584,421,755	618,127,409
Total liabilities		620,132,789	655,630,907
Deferred inflows		176,852,740	19,815,618
Net position:			
Net investment in capital assets		(53,137,580)	(56,636,473)
Unrestricted		55,784,364	62,557,510
Total net position		2,646,784	5,921,037
Total liabilities and net position	$	799,632,313	681,367,562

Current assets consist of cash and cash equivalents, accounts receivable, prepaid expenses, and inventory. Current assets were $214.4 million and $82.4 million more than current liabilities at June 30, 2024 and 2023, respectively. Total current assets increased 108.6%, or $130.2 million in 2024, mostly due to the cash received from the University Housing 4 project (UH4) lease agreements.

Noncurrent assets consist of land, buildings, building improvements, equipment, construction in progress, and the University of Washington Supplemental Retirement Plan (UWSRP) pension untrusted investment. Noncurrent assets decreased 2.1%, or $11.5 million, in 2024, mostly due to depreciation expense and offset by an increase in construction in progress.

Current liabilities consist of accounts payable, accrued interest, other accrued expenses, unearned revenue, deposits, amounts due to other University departments, and the current portion of capital debt. Current liabilities decreased by 4.8%, or $1.8 million, in 2024, primarily due to decreases in unearned revenue and accrued interest expense.

Noncurrent liabilities consist of the long-term portion of capital debt, the pension liability, and the other post-employment benefits (OPEB) liability. Total long-term capital debt as of June 30, 2024 decreased by 5.5%, or $32.4 million compared to 2023. The decrease was partially due to the payoff of $14.4 million outstanding balance related to Nordheim debt, following the UH4 phase 1 execution, effective May 1, 2024, concerning Nordheim Court and Radford Court (previously privately managed). Refer to Note 4 and Note 5 for further discussion. No new debt was issued in fiscal year 2024 or 2023. The pension liability decreased 6.8% or $0.2 million in 2024. The decreases in 2024 are primarily due to decreases in HFS's proportionate share of the PERS 1 and PERS 2/3 pension plans. The OPEB liability on June 30, 2024 increased by 5.8% or $0.8 million and primarily due to a 50% decrease in the OPEB service cost statewide.

The change in net position or "equity" measures whether the overall financial condition has improved or deteriorated during the year. Total net position decreased 55.3%, or $3.3 million in 2024 and increased 326%, or $8.5 million in 2023. Decrease in 2024 was due to increase in funding transfer out to other University

(Continued)

departments. The net investment in capital assets increased 6.2% or $3.5 million in 2024 primarily due to payoff of Nordheim debt following the UH4 lease agreement and partially offset by accumulated depreciation.

Unrestricted net position includes HFS's share of retirement plan liabilities and assets.

Statements of Revenue, Expenses, and Changes in Net Position

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity presented in the Statement of Revenue, Expenses, and Changes in Net Position. This statement presents 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 providing 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, and energy rebates. 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 view of the Statements of Revenue, Expenses, and Changes in Net Position for the fiscal years ended June 30:

	2024	2023
Operating revenue	$ 166,078,705	166,027,630
Operating expenses	(131,697,646)	(133,275,786)
Net operating income	34,381,059	32,751,844
Net nonoperating expense	(37,655,312)	(24,214,369)
Change in net position	(3,274,253)	8,537,475
Net position, beginning of year	5,921,037	(2,616,438)
Net position, end of year	$ 2,646,784	5,921,037

Revenue from All Sources

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

		2024	2023
Operating revenue:			
Residence halls and single-student apartment rent	$	102,649,864	103,723,162
Conferences and guest rent		8,360,547	8,438,334
Family housing rent		2,655,179	2,681,575
Food and beverages		46,878,818	43,030,145
Leases		1,732,731	3,485,696
Other		3,801,566	4,668,718
Total operating revenue		166,078,705	166,027,630
Nonoperating revenue:			
Grants		157,406	822,172
Interest income		676,284	—
Insurance proceeds		2,750,567	—
Other		265,013	—
Total nonoperating revenue		3,849,270	822,172
Total revenue – all sources	$	169,927,975	166,849,802

HFS's largest revenue source is residence hall and single-student apartment rent and retail food services, which comprised 88.0% of revenue from all sources in both 2024 and 2023. During 2024, residence hall and single-student rent decreased by 1.0%, or $1.1 million, conference services decreased by 0.9%, or $0.1 million, and food and beverages increased by 8.9%, or $3.8 million, over the prior year.

Nonoperating revenue increased by $3 million in 2024 primarily due to Oak Hall flood insurance claim proceeds of $2.7 million received in 2024 and interest income from the UH4 lease agreements.

Expenses and Expense Transfers

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

		2024	2023
Operating expenses:			
Salaries and related benefits	$	44,913,298	39,159,354
Cost of food and merchandise		18,651,514	17,698,507
Utilities		9,920,496	10,199,806
Supplies		3,351,422	2,775,966
Professional and purchased services		19,536,454	27,947,137
Depreciation		31,793,610	32,214,376
Other		3,530,852	3,280,640
Total operating expenses		131,697,646	133,275,786
Nonoperating expenses:			
Interest expense on capital asset-related debt		26,091,718	24,943,315
Funding transfer to other departments		15,412,864	—
Net loss on capital asset disposals		—	93,226
Total nonoperating expenses		41,504,582	25,036,541
Total expenses and expense transfers	$	173,202,228	158,312,327

Salaries and benefits expense increased by 14.7%, or $5.8 million, in 2024. Increases in 2024 were primarily due to resource requirements needed for the Workday finance transformation effort in July 2023 and stabilization afterward.

Professional and purchased services decreased by 30.1%, or $8.4 million, in 2024 primarily due to decrease in repairs and maintenance and contract services.

Depreciation expense decreased by 1.3%, or $0.4 million, in 2024.

Nonoperating expenses in 2024 increased by 65.8%, or $16.5 million, primarily due to funding transfer to other departments and paid off expenses related to Radford court cost center close out as part of the UH4 lease agreement.

Economic Factors Affecting the Future

Systemwide Considerations

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

The University and HFS operated under normal expectations during 2023 and 2024. Haggett Hall development continued with demolition of the existing facility, in preparation for new construction activity in the coming years.

(Continued)

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 upzoning, a number of high-rise projects are under construction or are in their initial planning phases.

HFS received Board of Regent's approval in November 2023 to enter into the UH4 lease agreement, effective May 1, 2024. Phase 2 of the UH4 lease agreement is anticipated to close in December 2025 and concerns Laurel and Blakeley Villages. Mass transit improvements are ongoing in the greater Seattle area. The initial phase of the Eastside line opened in April 2024; expansion to Bellevue, Mercer Island, and Redmond is expected in 2025. North of the city, the Shoreline, Mountlake Terrace, and Lynnwood light rail expansion project was completed in August 2024, which could have a reverse effect on the on-campus housing demand.

Housing Operation

Overall housing revenue decreased $1.2 million in 2024, compared to an increase of $8.1 million in 2023. This decrease is related to the handoff of Radford Court and Nordheim Court to the new management, Provident, via the UH4 lease agreement as of May 1, 2024.

Autumn quarter 2024 opened with occupancy at approximately 9,044 students in 9-month and 12-month housing areas. This figure is less than the 2023 count of 9,614 due to the elimination of the Nordheim Court. The remaining privately managed off-campus facility, Commodore Duchess, coordinated through UW Real Estate, is forecasted to have an opening occupancy between 95% – 100% of building capacity.

Summer housing and conference operations are consistent with revenues of approximately $8.4 million in both fiscal years 2024 and 2023, respectively.

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 plan was completed in 2021 with the construction of Oak Hall and as of June 30, 2021, costs incurred related to the Housing Master Plan totaled approximately $783.1 million. 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 offset the cash-funded portion for Phase 4b.

Debt service is being paid to the ILP for all Phases 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 1.57 and 1.56 as of June 30, 2024, and 2023, respectively.

UW Dining

In 2024, inflationary pressures have increased operating costs significantly throughout UW Dining units, particularly in the categories of food and supplies. Staffing issues continue to be a strain on operations; however, staff retention and recruitment have improved from prior years.

(Continued)

With a full year of “normal” operations, including a strong summer conference season, UW Dining revenues increased $3.8 million over prior year as operations rebuild from pandemic-related changes such as greater remote work and instructional options on campus. Catering sales have also grown due to larger and more frequent on-campus events.

UW Sponsorship has extended the Starbucks Coffee agreement and signed with Pepsi, effective July 1, 2023, for beverage rights on campus. Work began in summer 2023 to transition equipment and product from Coca-Cola to Pepsi.

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

Statement of Net Position

June 30, 2024

Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents	$	237,630,103
Accounts receivable, net		10,324,036
Prepaid expense		1,472,112
Inventory		701,863
Total current assets		250,128,114
Noncurrent assets:		
Capital assets, less accumulated depreciation (note 2)		535,467,983
Other assets (note 7)		6,924,715
Total noncurrent assets		542,392,698
Deferred outflows of resources (note 6)		7,111,501
Total assets and deferred outflows of resources	$	799,632,313
Liabilities, Deferred Inflow of Resources, and Net Position		
Current liabilities:		
Accounts payable	$	1,820,174
Accrued interest		1,936,575
Other accrued expenses		2,750,978
Unearned revenue		5,315,155
Deposits		2,624,059
Long-term capital debt, current portion (notes 3 and 4)		21,264,093
Total current liabilities		35,711,034
Noncurrent liabilities:		
Long-term capital debt, less current portion (notes 3 and 4)		566,102,068
Pension liability (note 7)		3,010,433
Total other postemployment benefits (OPEB) liability (note 8)		15,309,254
Total noncurrent liabilities		584,421,755
Total liabilities		620,132,789
Deferred inflows of resources (note 6)		176,852,740
Net position:		
Net investment in capital assets		(53,137,580)
Unrestricted		55,784,364
Total net position		2,646,784
Total liabilities, deferred inflows of resources, and net position	$	799,632,313

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

June 30, 2024

Operating revenue:		
Rent	$	113,665,590
Food and beverages		46,878,818
Leases		1,732,731
Other		3,801,566
Total operating revenue		166,078,705
Operating expenses:		
Salaries and related benefits		44,913,298
Cost of food and merchandise		18,651,514
Utilities		9,920,496
Supplies		3,351,422
Professional and purchased services		19,536,454
Depreciation		31,793,610
Other		3,530,852
Total operating expenses		131,697,646
Net operating income		34,381,059
Nonoperating revenue (expenses):		
Grants		157,406
Interest income		676,284
Insurance claim proceeds		2,750,567
Interest expense on capital asset-related debt		(26,091,718)
Funding transfer to other departments		(15,412,864)
Other		265,013
Total nonoperating (expense) revenue		(37,655,312)
Change in net position		(3,274,253)
Net position, beginning of year		5,921,037
Net position, end of year	$	2,646,784

See accompanying notes to financial statements.

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

Statement of Cash Flows

June 30, 2024

Cash flows from operating activities:	
Cash received from student housing fees	$ 95,957,360
Cash received from residence hall food services	47,067,342
Cash received from conference services	6,674,777
Cash received from family housing rent	2,423,917
Cash received from short-term lease	1,063,816
Cash received from others	3,065,008
Cash paid to suppliers	(54,723,518)
Cash paid for employee salaries, wages, and benefits	(46,818,734)
Cash paid for others	(3,190,786)
Net cash flows provided by operating activities	51,519,182
Cash flows from noncapital financing activity:	
Grants received	157,406
Net cash flows provided by noncapital financing activity	157,406
Cash flows from capital and related financing activity:	
Purchases of capital assets	(11,055,895)
Interest paid on capital debt	(26,204,192)
Principal payments on capital debt	(34,875,160)
Funding transfer to other departments	(15,412,864)
Cash received from leasing activities	668,915
Payment at lease commencement	160,403,704
Proceeds from insurance on capital assets	2,750,567
Other	265,016
Net cash flows provided by capital and related financing activities	76,540,091
Cash flows from investing activity:	
Interest received	676,284
Net change in cash and cash equivalents	128,892,963
Cash and cash equivalents, beginning of year	108,737,140
Cash and cash equivalents, end of year	$ 237,630,103
Reconciliation of operating income to net cash flows from operating activities:	
Net operating income	$ 34,381,059
Adjustments to reconcile operating income to net cash flows provided by operating activities:	
Depreciation	31,793,610
Non-variable lease revenue	(668,915)
Changes in operating assets and liabilities:	
Accounts receivable	(9,262,570)
Prepaid expense	(324,481)
Inventory	37,177
Accounts payable	(291,762)
Unearned revenue	(925,062)
Accrued expenses	(99,012)
Deposits	188,608
Retirement plan deferred resources and liabilities	(3,309,470)
Net cash flows provided by operating activities	$ 51,519,182
Supplemental disclosure for noncash activities:	
Capital assets in accounts payables and due to other University departments	(8,232,654)

See accompanying notes to financial statements.

(1) Organization and Significant Accounting Policies

(a) Organization

The University of Washington Housing and Food Services (the Department or 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 including maintenance of buildings, roads, and grounds, custodial services, utilities, and support services such as environmental health, and security services. Refer to Note 9 – Related Party for further discussion.

(b) Basis of Accounting

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 Statement – 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, statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statement. The financial statements of the Department are intended to present the financial position, and cash flows of only that portion of the University of Washington that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2024, 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 statement of revenues, expenses, and changes in net position.

(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 $237,630,103 as of June 30, 2024. These funds are available on demand without prior notice or penalty. The Cash and Liquidity Pools were invested as follows as of June 30, 2024:

Cash and cash equivalents	2.1 %
U.S. Treasury and agency securities	60.4
Mortgage-related securities	5.4
Asset-backed debt securities	18.7
Other fixed income	13.4
	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 collectability 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 $922,252 as of June 30, 2024.

(e) Inventory

Inventories, consisting primarily of food, are carried at the lower of cost or realizable value and are reflected in other current assets on the statement of net position. Inventories are generally valued using the first-in, first-out method.

(f) Prepaid Expense

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

(g) 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. Buildings and improvements are capitalized if they result in additional asset services (e.g., expanded facilities), result

(Continued)

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.

(h) Unearned Revenue

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

(i) Deposits

Deposits consist of $500 prepayments that are collected at the time of agreement signing and applied to initial housing charges.

(j) Leases

HFS determines if an arrangement is a lease at the inception of the lease contract. Deferred inflows of resources related to lessor arrangements are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue on a straight-line basis over the lease term.

(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, 2024 is due to the inclusion of existing debt on the old Mercer, Lander, Terry, and McCarty Halls, all of which were demolished, where 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, interest income and other revenue sources that are not associated with HFS's primary operations. Nonoperating expenses reflect interest expense, funding transfer to other departments, and losses on asset disposals.

(m) Insurance Claim Proceeds

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

HFS received $2,750,567 in insurance payments during fiscal year 2024. The payment was related to the Oak Hall flood that incurred in 2022, which required extensive repair work to the building.

(n) 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 2024, and accordingly, the financial statements do not include a provision for federal income taxes.

(o) 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.

HFS's share of pension and other post-employment benefit (OPEB) 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.

(p) 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 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 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 (UWSRP). 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, 2024 reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. The UWSRP liability as of June 30, 2024 represents the HFS's proportionate share of the total pension liability less the plan's fiduciary net position. 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 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 or deferred outflows of resources and are recognized over five years. GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions.*", allows the employer to use a measurement date for the Total Pension Liability (TPL) and the Net Pension Liability (NPL) no earlier than the end of the employer's prior fiscal year. In prior years, the measurement date used by the University for valuation of the TPL and the NPL were the same as the HFS's financial reporting date. In fiscal year 2024, however, the University elected to transition to using a measurement date which lags the financial reporting date by one fiscal year. As a result of this transition, the June 30, 2024 NPL is based on a measurement date of June 30, 2023. There was no material impact associated with this change.

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 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) Capital Assets

Capital asset activity for the year ended June 30, 2024 is summarized as follows:

	Balance at June 30, 2023	Additions/ Transfers	Retirements/ Transfers	Balance at June 30, 2024
Land	$ 6,775,215	—	—	6,775,215
Building and building improvements	859,454,972	2	—	859,454,974
Furniture, fixtures and equipment	4,894,933	692,993	163,609	5,751,535
Construction in progress	253,281	22,554,717	(4,042,272)	18,765,726
Total cost	871,378,401	23,247,712	(3,878,663)	890,747,450
Less accumulated depreciation:				
Buildings and building improvements	319,137,123	31,485,404	—	350,622,527
Furniture, fixtures and equipment	4,268,234	308,206	80,500	4,656,940
Total accumulated depreciation	323,405,357	31,793,610	80,500	355,279,467
Capital assets, net	$ 547,973,044	(8,545,898)	(3,959,163)	535,467,983

Construction in FY24 was related to Haggett Hall demolition of the existing facility, in preparation for new construction activity in the coming years.

(3) Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2024 is summarized as follows:

	Balance at June 30, 2023	Additions	Reductions	Balance at June 30, 2024
Noncurrent liabilities:				
ILP payable	$ 608,374,773	—	(33,002,656)	575,372,117
Notes payable	13,866,547	—	(1,872,503)	11,994,044
Pension liability	3,231,213	—	(220,780)	3,010,433
OPEB liability	14,471,731	837,523	—	15,309,254
Total noncurrent liabilities	639,944,264	837,523	(35,095,939)	605,685,848
Current portion	(21,816,855)			(21,264,093)
Noncurrent portion	$ 618,127,409			$ 584,421,755

(4) 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.

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 4.00% as of June 30, 2024. Related to this, HFS is obligated to the ILP in the amount of $3,336,743 as of June 30, 2024.

In October 2010, the University issued GRB 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 $4,380,903 as of June 30, 2024. The final payment is due in fiscal year 2032. The interest rate was 4.00% as of June 30, 2024.

In March 2012, the University issued GRB 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 $3,286,571 as of June 30, 2024. The final payments were due in fiscal year 2022 for GRB 2012A and will be due in 2029 for GRB 2012B. The interest rate was 4.25% as of June 30, 2024, for the GRB 2012A. The interest rate was 4.06% for GRB 2012B as of June 30, 2024.

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 $564,367,901 as of June 30, 2024. The final payments are due between the fiscal years 2042 and 2049. The interest rate was 4.00% as of June 30, 2024.

In July 2016, due to the transfer of the Nordheim Court Apartments from UW Real Estate (Note 6), HFS was obligated to the ILP for Nordheim debt. In May 2024, Phase 1 of the University Housing 4 project (UH4) lease agreements was executed, and the Nordheim balance of $14,400,066 was paid off in full.

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. 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 $7,537,906 as of June 30, 2024. The interest rate was 1.19% as of June 30, 2024. Related to FAST2 note, HFS is obligated to the FAST program in the amount of $4,456,138 as of June 30, 2024. The interest rate was 1.88% as of June 30, 2024.

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.

Debt service requirements at June 30, 2024 were as follows:

	ILP Payable				Notes payable		
	Principal	**Interest**	**Total**		**Principal**	**Interest**	**Total**
2025	$ 19,364,324	$ 22,697,654	42,061,978	2025	$ 1,899,769	161,346	2,061,115
2026	20,155,870	21,905,285	42,061,155	2026	1,927,454	133,661	2,061,115
2027	20,983,027	21,080,125	42,063,152	2027	1,955,564	105,551	2,061,115
2028–2032	115,131,263	91,962,111	207,093,374	2028–2032	6,211,257	143,848	6,355,105
2033–2037	134,206,264	67,150,909	201,357,173	2033–2037	—	—	—
2038–2042	160,076,264	37,652,057	197,728,321	2038–2042	—	—	—
2043–2047	90,380,742	10,380,482	100,761,224	2043–2047	—	—	—
2048–2051	15,074,363	379,577	15,453,940	2048–2051	—	—	—
	$ 575,372,117	273,208,200	848,580,317		$ 11,994,044	544,406	12,538,450

(5) Leases

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 year. The remaining outstanding debt under this agreement related to Commodore Duchess was $906,522 as of June 30, 2024.

The University receives an annual payment from the Apartments, which it designates to HFS. Revenue from Commodore Duchess was $1,063,816 for the year ended June 30, 2024.

In November 2023, HFS received the Board of Regent's approval to enter into the UH4 lease agreement. Phase 1 of the agreement was executed on May 1, 2024, under a public-private partnership concerning Nordheim Court and Radford Court (previously privately managed properties). Under this agreement, Nordheim and Radford were leased to and managed by Provident Group. A lump sum of $161,000,000 was received on the commencement date of May 1, 2024, and recorded on the statement of net position as deferred inflows of resources. Lease revenue will be recognized straight-line over the 45-year contract term, which ends in April 2069. A portion of the cash was put in an interest-bearing account, earning interest income for up to two years. Commencing with lease year 2, HFS receives a fixed payment of $100,000 annually, increased by not more than 3.0% for each lease year after that.

Lease revenue recognized from this lease agreement was $596,296, and interest income earned was $676,284 for the year ended June 30, 2024.

(6) 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:

		2024
Deferred outflows of resources:		
Public Employees' Retirement System pension plans (note 7)	$	4,235,388
University of Washington Supplemental Retirement Plan (note 7)		1,263,072
Other postemployment benefits (OPEB) (note 8)		1,613,041
Total deferred outflows of resources	$	7,111,501

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

		2024
Deferred inflows of resources:		
Public Employees' Retirement System pension plans (note 7)	$	2,748,361
University of Washington Supplemental Retirement Plan (note 7)		2,306,590
Other postemployment benefits (OPEB) (note 8)		11,394,085
Leases (note 5)		160,403,704
Total deferred inflows of resources	$	176,852,740

(Continued)

(7) 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 (UWSRP), 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 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/news/

(d) 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 and 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 2024 proportionate share of the pension liabilities is based on an OSA valuation performed as of June 30, 2022, with the results rolled forward to the measurement date of June 30, 2023.

The following actuarial assumptions have been applied to periods included in the measurement:

2024:	
Inflation	2.75% Total economic inflation, 3.25% Salary inflation
Salary increase	Expected to grow by service-based salary increases in addition to salary inflation assumption of 3.25%
Investment rate of return	7.00%

Mortality rates were developed using 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, 2022 valuations were based on the results of the 2013-2018 Demographic Experience Study Report and the 2021 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 long-term expected rate of returns of 7.00% as of measurement date June 30, 2023, 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.

(Continued)

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 date, are summarized in the following table:

	2024 (measurement date: 2023)	
	Target allocation	Long-term expected arithmetic real rate of return
Asset class:		
Fixed income	20.00 %	1.50 %
Tangible assets	7.00	4.70
Real estate	18.00	5.40
Global equity	32.00	5.90
Private equity	23.00	8.90

The inflation component used to create the above table was 2.20% and represented WSIB's most recent long-term estimate of broad economic inflation at the time of these valuations.

(e) Discount Rate

The discount rate used to measure the total pension liabilities as of June 30, 2024 was 7.00%. 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 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 7.00% future investment rate of return on pension plan investments was assumed as of the measurement date of June 30, 2023. 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 share of the net pension liabilities and assets calculated using the discount rate of 7.00% as of measurement date June 30, 2023, 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:

		1% Decrease	Current discount rate	1% Increase
			(Dollars in thousands)	
Plan as of June 30, 2024:				
PERS 1	$	3,138	2,246	1,468
PERS 2/3		5,659	(5,203)	(14,126)

(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 0.20%. 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 year ended June 30, 2024:

		PERS	
Description		PERS 1	Plan 2/3[a]
		(Dollars in thousands)	
Contributions as of June 30, 2024:			
Contribution rate		10.39 %	10.39 %
Contributions made	$	590	1,256

(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 and assets recorded by HFS as of June 30, 2024 was June 30, 2023. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2023 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, 2023 Schedules of Employer and Nonemployer Allocations. 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, 2024	0.10 %	0.13 %

(i) HFS Aggregated Balances

HFS's aggregated balances of net pension liabilities and assets as of June 30, 2024 are presented in the table below:

Plan		PERS 1	PERS 2/3	Total
			(Dollars in thousands)	
Plan as of June 30, 2024:				
Net pension liability	$	2,246	—	2,246
Net pension asset		—	5,203	5,203

(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, 2024	$	294	(817)	(523)

Description		Deferred outflows of resources PERS 1	PERS 2/3	Total
		(Dollars in thousands)		
Plan as of June 30, 2024:				
Change in assumptions	$	—	2,184	2,184
Difference between expected and actual experience		—	1,060	1,060
Changes in HFS' proportionate share		—	(855)	(855)
HFS's contributions subsequent to the measurement date of the collective net pension liability		590	1,256	1,846
Total	$	590	3,645	4,235

Description		Deferred inflows of resources PERS 1	PERS 2/3	Total
		(Dollars in thousands)		
Plan as of June 30, 2024:				
Difference between projected and actual earnings on plan investments, net	$	253	1,961	2,214
Change in assumptions		—	476	476
Difference between expected and actual experience		—	58	58
Total	$	253	2,495	2,748

Amounts reported as deferred outflows of resources, as of June 30, 2024, 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)		
2025	$	(172)	(1,124)	(1,296)
2026		(217)	(1,324)	(1,541)
2027		134	1,437	1,571
2028		2	435	437
2029		—	495	495
Thereafter		—	(25)	(25)
Total	$	(253)	(106)	(359)

(a) Negative amounts reflected 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. The number of participants in the UWRP as of June 30, 2024 was 119.

(i) 403(b) 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 year ended June 30, 2024 were $565,840.

(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, 2024 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. Participant data is updated biannually in the actuarial valuations. As of June 30, 2024, the UWRP had 20 active employees and 6 inactive employees, with 2 inactive employees 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 year ended June 30, 2024 were $55,673.

(ii) Employer Contributions

State 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. HFS's contribution rate for the fiscal year ended June 30, 2024 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in the fiscal year ended June 30, 2024 were $39,948. 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 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. The annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense for the measurement period ended June 30, 2023 was 7.16%. 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) Other Designated Assets

HFS 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, 2024, HFS had set aside $1,721,884 to pay future UWSRP retiree benefits. 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.

(v) UWSRP Pension Liability

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, HFS uses accounting guidance for single employer plans that have trusted assets and reports the pension liability net of plan assets.

GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, allows the employer to use a measurement date for the Total Pension Liability (TPL) and the Net Pension Liability (NPL) no earlier than the end of the employer's prior fiscal year. In prior years, the measurement date used by the University for valuation of the TPL and the NPL were the same as the University's financial reporting date. In fiscal year 2024, however, the University elected to transition to using a measurement date which lags the financial reporting date by one fiscal year. As a result of this transition, the June 30, 2024 NPL is based on a measurement date of June 30, 2023. There was no material impact associated with this change. The TPL, Plan Fiduciary Net Position, and NPL for UWSRP remained the same at $1,244,965, $481,439, and $763,526, respectively, as there were no changes to the components of pension liabilities in fiscal year 2024. No pension expense for the UWSRP plan has been recorded in the year ended June 30, 2024 due to the transition described above. Additionally, the contributions made after the June 30, 2023 measurement date and before

(Continued)

the end of the June 30, 2024 fiscal year are recorded as deferred outflows of resources instead of reflected as a reduction of the NPL in the current fiscal year.

The June 30, 2024 TPL and NPL are based on an actuarial valuation performed as of January 1, 2023 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2023. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. OSA's model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). The valuation was prepared using the entry age actuarial cost method.

(vi) 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, 2024:

	June 30, 2024 (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	7.00 %
Change in discount rate since prior measurement date	NA
Source of discount rate	2021 Report on Financial Condition and Economic Experience Study
Investment rate of return	7.00 %
NPL measurement at discount rate	$ 764
NPL discount rate increased 1%	$ 639
NPL discount rate decreased 1%	$ 910

There were no changes to the significant assumptions used for the period ending June 30, 2024.

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, 2024, are summarized in the following table:

	2024 (Measurement Date 2023)	
	Target allocation	**Long-term expected arithmetic real rate of return**
Estimated rates of return for major asset classes:		
Asset class:		
Fixed income	20.00 %	1.50 %
Tangible assets	7.00 %	4.70 %
Real estate	18.00 %	5.40 %
Global equity	32.00 %	5.90 %
Private equity	23.00 %	8.90 %

As noted above, the discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that HFS would pay retiree benefits from assets designated for that purpose, until such time that responsibility for these payments transfers to the DRS and payments are funded by the plan assets invested in the CTF. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

(vii) 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 as of June 30, 2024:

		2024 (Dollars in thousands)
Deferred outflows of resources:		
Difference between expected and actual experience	$	475
Change in assumptions		452
HFS contributions subsequent to the measurement date of the collective net pension liability		96
Change in proportionate share		240
Total	$	1,263

		2024 (Dollars in thousands)
Deferred inflows of resources:		
Difference between expected and actual experience	$	1,224
Change in assumptions		751
Net difference between projected and actual earnings on plan investments		14
Change in proportionate share		318
Total	$	2,307

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

		2024
		(Dollars in thousands)
Amortization of deferred inflows and outflows of resources:		
Year:		
2025	$	(306)
2026		(239)
2027		(201)
2028		(371)
2029		(15)
Thereafter		(8)
Total	$	(1,140)

(8) 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. 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 $183 per member per month for fiscal year 2024.

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, 2024:

	2024 (Measurement date: 2023)
Active employees	449
Inactive employees receiving benefits	130
Inactive employees entitled to, but not receiving, benefits	N/A*

* Data not available from Washington State Health Care Authority (HCA)

(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 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 TOL as of June 30, 2024:

	June 30, 2024 (Dollars in thousands)
Significant assumptions used to measure the total OPEB liability (TOL):	
Inflation	2.35%
Healthcare cost trend	Initial rate ranges from 2%–11% reaching an ultimate rate of 3.80% in 2080.
Salary increase	3.25% 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	3.65%
Source of discount rate	Bond Buyer General Obligation 20-Bond Municipal Bond Index as of 6/30/23 (Measurement Date)
Post-retirement participation percentage	60.00%
TOL measurement at discount rate	$ 15,309
TOL discount rate increased 1%	$ 13,215
TOL discount rate decreased 1%	$ 17,913
TOL measurement at healthcare cost trend rate	$ 15,309
TOL healthcare cost trend rate increased 1%	$ 18,456
TOL healthcare cost trend rate decreased 1%	$ 12,864

Material assumption changes during the measurement period ending June 30, 2023, include updating the discount rate as required by GASB 75.

(c) Changes in the Total OPEB Liability

The TOL for the state of Washington as of June 30, 2024 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2022, with the results rolled forward to the measurement date of June 30, 2023. 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 HFS's proportionate share of the statewide TOL is the relationship of HFS active, healthcare-eligible employee headcount to the corresponding statewide total. The HFS's proportionate share percentage was 1.2% in 2024.

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.

	2024 (Dollars in thousands)
Schedule of changes in total OPEB liability (TOL):	
Balance as of July 1	$ 14,472
Service cost	536
Interest on TOL	539
Change in assumptions	(259)
Benefit payments	(375)
Change in proportionate share	396
Balance as of June 30	$ 15,309

(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.

	2024 (Dollars in thousands)
Deferred outflows of resources:	
Differences between expected and actual experience in the measurement of the total OPEB liability	$ 232
HFS contributions subsequent to the measurement date of the collective total OPEB liability	386
Changes in assumptions	995
Total	$ 1,613

		2024 (Dollars in thousands)
Deferred inflows of resources:		
Differences between expected and actual experience in the measurement of the total OPEB liability	$	455
Changes in assumptions		9,172
Changes in proportionate share		1,767
Total	$	11,394

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

		2024 (Dollars in thousands)
Amortization of deferred inflows and deferred outflows of resources[a]:		
Year:		
2025	$	(1,130)
2026		(1,130)
2027		(1,130)
2028		(1,130)
2029		(1,130)
Thereafter		(4,517)
Total	$	(10,167)

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

(9) Related Party

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. There were $1,121,518 of institutional overhead allocated from the University for fiscal year 2024.

The Department is covered by the University's self-insurance liability program. The program provides protection from liability claims arising from the negligent acts or omissions of the University of Washington and its employees, students, and agents acting in the course and scope or their University duties. The term "agent" includes volunteers to official University programs. There is no deductible. Annual premiums paid by HFS are for first dollar coverage. Policy is through PBI (Portage Bay), which is a captive insurance company of the University of Washington.

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

Schedules of Required Supplementary Information (Unaudited)

June 30, 2024

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

	PERS 1								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(Dollars in thousands)								
Housing and Food Services' proportion of the net pension liability	0.10 %	0.09 %	0.08 %	0.10 %	0.11 %	0.11 %	0.11 %	0.11 %	0.11 %
Housing and Food Services' proportionate share of the net pension (asset) liability	$ 2,246	2,467	980	3,618	4,121	4,859	5,146	6,063	5,838
Housing and Food Services' covered payroll	$ 17,477	14,369	12,251	15,395	14,855	14,256	13,407	13,177	12,416
Housing and Food Services' proportionate share of the net pension (asset) liability as a percentage of covered payroll	12.85 %	17.17 %	8.00 %	23.50 %	27.74 %	34.09 %	38.38 %	46.01 %	47.02 %
Plan fiduciary net position as a percentage of the total pension liability	80.16 %	76.56 %	88.74 %	68.64 %	67.12 %	63.22 %	61.24 %	57.03 %	59.10 %

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

	PERS 1								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(Dollars in thousands)								
Contractually required contribution	$ 4	4	4	6	12	16	21	23	29
Contributions in relation to the contractually required contribution	4	4	4	6	12	16	21	23	29
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	29
Housing and Food Services' covered payroll	$ 19,668	17,477	14,369	12,251	15,395	14,855	14,256	13,407	13,177
Contributions as a percentage of covered payroll	0.02 %	0.02 %	0.03 %	0.05 %	0.08 %	0.11 %	0.15 %	0.17 %	0.22 %

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

	PERS 2/3								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(Dollars in thousands)								
Housing and Food Services' proportion of the net pension liability	0.13 %	0.12 %	0.10 %	0.13 %	0.14 %	0.14 %	0.14 %	0.14 %	0.14 %
Housing and Food Services' proportionate share of the net pension (asset) liability	$ (5,203)	(4,285)	(10,121)	1,667	1,322	2,347	9,765	7,035	4,928
Housing and Food Services' covered payroll	$ 17,549	14,440	12,152	15,192	14,789	14,256	13,444	13,051	12,239
Housing and Food Services' proportionate share of the net pension liability as a percentage of covered payroll	(29.65)%	(29.67)%	(83.29)%	10.97 %	8.94 %	16.46 %	35.44 %	53.90 %	40.26 %
Plan fiduciary net position as a percentage of the total pension liability	107.02 %	106.73 %	120.29 %	97.22 %	97.77 %	95.77 %	90.97 %	85.82 %	89.20 %

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

Schedules of Required Supplementary Information (Unaudited)

June 30, 2024

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

	PERS 2/3								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(Dollars in thousands)								
Contractually required contribution	$ 1,885	1,818	1,497	1,573	1,953	1,893	1,801	1,503	1,448
Contributions in relation to the contractually required contribution	1,885	1,819	1,487	1,573	1,954	1,893	1,803	1,505	1,462
Contribution deficiency (excess)	$ —	(1)	10	—	(1)	—	(2)	(2)	(14)
Housing and Food Services' covered payroll	$ 19,749	17,549	14,440	12,152	15,192	14,789	14,256	13,444	13,051
Contributions as a percentage of covered payroll	9.54 %	10.36 %	10.37 %	12.95 %	12.86 %	12.80 %	12.65 %	11.19 %	11.20 %

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

Schedules of Required Supplementary Information (Unaudited)

June 30, 2024

Schedule of Changes in the Net Pension Liability (NPL)
UW Supplemental Retirement Plan (UWSRP)

	2024	2023	2022	2021
		(Dollars in thousands)		
Total pension liability – beginning	$ 1,245	$ 1,407	$ 962	$ 4,002
Service cost	—	24	17	96
Interest	—	104	73	74
Differences between expected and actual experience	—	(148)	310	(1,557)
Changes in assumptions	—	(126)	101	(933)
Change in proportionate share	—	36	(9)	(679)
Benefit payments	—	(52)	(47)	(41)
Total pension liability – ending, (a)	1,245	1,245	1,407	962
Plan fiduciary net position – beginning	481	408	377	312
Employer contributions	—	39	30	30
Net investment income	—	34	1	92
Plan fiduciary net position – ending, (b)	481	481	408	434
UWSRP net pension liability, (a) minus (b)	$ 764	$ 764	$ 999	$ 528
Plan fiduciary net position as percentage of the total pension liability	38.67 %	38.63 %	28.86 %	45.11 %
UWSRP covered employee payroll	$ 10,390	$ 10,390	$ 7,798	$ 7,239
Net pension liability as percentage of covered employee payroll	7.35 %	7.35 %	12.84 %	7.29 %

* In fiscal year 2024, the University elected to transition to a measurement date that lags the financial report date by one year. As a result, the June 30, 2024 NPL is based on a measurement date of June 30, 2023. There was no material impact associated with this change.

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

Schedules of Required Supplementary Information (Unaudited)

June 30, 2024

Schedule of Contributions
UW Supplemental Retirement Plan (UWSRP)
(As of current fiscal year-end)

	2024	2023	2022	2021
		(Dollars in thousands)		
Contractually required contribution	$ 40	$ 39	$ 30	$ 28
Contributions in relation to the contractually required contribution	40	39	30	30
Contribution deficiency (excess)	$ —	$ —	$ —	$ (2)
UWSRP covered employee payroll	$ 10,579	$ 10,390	$ 7,798	$ 7,239
Contributions as a percentage of covered-employee payroll	0.38 %	0.38 %	0.38 %	0.41 %

Schedule of Changes in the Total Pension Liability (TPL)
UW Supplemental Retirement Plan (UWSRP)

	2020	2019	2018	2017
Total pension liability – beginning	$ 3,081	2,073	2,161	2,550
Service cost	85	61	74	98
Interest on TPL	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 %

Effective July 1, 2020, legislation signed into law created a trust arrangement for assets dedicated to paying UWSRP benefits to plan members. As a result, the University now applies guidance required in GASB code section P20 paragraph 146 in the tables that precede this one. This table was required by guidance in GASB code section P22 paragraph 137 prior to creation of the trust arrangement.

(Continued)

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

Schedules of Required Supplementary Information (Unaudited)

June 30, 2024

Schedule of Changes in Total OPEB Liability (TOL)

	2024	2023	2022	2021	2020	2019	2018
				(Dollars in thousands)			
Total OPEB liability – beginning	$ 14,472	17,443	20,290	20,437	18,610	21,574	23,102
Service cost	536	1,068	872	842	827	1,164	1,463
Interest on TOL	539	495	377	704	717	800	685
Differences between expected and actual experience	—	(491)	—	(108)	—	730	—
Changes in assumption	(259)	(8,283)	161	457	1,337	(5,094)	(3,342)
Benefit payments	(375)	(364)	(288)	(335)	(328)	(338)	(349)
Change in proportionate share	396	4,604	(3,969)	(990)	(726)	(226)	15
Other	—	—	—	(717)	—	—	—
Total OPEB liability - ending	$ 15,309	14,472	17,443	20,290	20,437	18,610	21,574
OPEB covered employee payroll	$ 42,728	37,533	28,983	34,641	36,122	34,274	34,860
Total OPEB liability as percentage of covered-employee payroll	35.83 %	38.56 %	60.18 %	58.57 %	56.58 %	54.30 %	61.89 %

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, 2021 valuation date, completed in the fall of 2022, plus any supplemental contribution rates from the preceding legislative session, determines the ADC for the period beginning July 1, 2023, and ending June 30, 2025.

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, 2024 is based on the payroll of participants in the University's 403(b) defined contribution UWRP. Covered payroll for the fiscal year ending June 30, 2020 and preceding years is based on the payroll of the participants of the UWSRP.

The source for the discount rate changed in 2021 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.

The June 30, 2024 TPL and NPL is based on an actuarial valuation performed as of January 1, 2023 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2023. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. OSA's model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). The valuation was prepared using the entry age actuarial cost method.

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 2024 relate to an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.54% for the June 30, 2022 measurement date, to 3.65% for the June 30, 2023 measurement date. This change in assumption resulted in a decrease in Change in Assumption in the TOL.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Financial Statements and Schedules

June 30, 2024

(With Independent Auditors' Report Thereon)

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Table of Contents

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Regents
University of Washington:

Opinion

We have audited the financial statements of the University of Washington Department of Intercollegiate Athletics (the Department), a department of the University of Washington, as of and for the year ended June 30, 2024 , and the related notes to the financial statements, which collectively comprise the University of Washington Department of Intercollegiate Athletics' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the University of Washington that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2024, the changes in its financial position, or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. 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 U.S. generally accepted accounting principles, 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.

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

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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on page 3 through 11 and the schedules of required supplementary information on pages 47 through 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 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 schedule of operating and other revenue by specific function and schedule of operating expenses and other deductions by specific function on pages 55 through 56 are presented for purposes of additional analysis and are 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 GAAS. 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
November 26, 2024

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 (the Department or ICA) as of and for the year ended June 30, 2024, with certain comparative information as of and for the year ended June 30, 2023. 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 of the Department are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the University of Washington (the University) that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2024, or the changes in its financial position or its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Using the Financial Statements

ICA's financial statements include the statement of net position, statement of revenue, expenses, and changes in net position, statement 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.

Statement of Net Position Summary

The following statement of net position summary shows ICA's total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources, and net position as of June 30.

Statement of Net Position Summary

	2024	2023
	(In thousands)	
Current assets	$ 35,247	37,688
Noncurrent assets:		
Capital assets, net	248,923	259,024
Other	158,339	156,021
Total assets	442,509	452,733
Pension deferred outflows of resources	6,117	6,401
OPEB deferred outflows of resources	1,308	1,187
Total assets and deferred outflows of resources	$ 449,934	460,321

(Continued)

Statements of Net Position Summary

		2024	2023
		(In thousands)	
Current liabilities	$	50,093	31,844
Noncurrent liabilities		258,257	263,998
Total liabilities		308,350	295,842
Lease deferred inflows of resources		15,186	15,978
Pension deferred inflows of resources		7,260	7,970
OPEB deferred inflows of resources		5,909	6,715
Net position		113,229	133,816
Total liabilities, deferred inflows of resources, and net position	$	449,934	460,321

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

- Current assets consist of cash and cash equivalents, accounts receivable, and prepaid expenses. Current assets were $14.8 million less than current liabilities at the end of 2024. In 2024, the negative working capital is due to lower amounts of cash and accounts receivable, higher amounts of accounts payable and the Pac-12 management fee payable being reclassified from a noncurrent to a current liability. The Pac-12 management fee payable was reclassified as a current liability due to the payable to be settled in 2025. A Capital Assistance Program (CAP) operating loan will be initiated in July 2024 to reimburse the University for a portion of the Pac-12 management fee that was paid with University funds in 2024. The unearned income for 2024 will be recorded as revenue in 2025 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 $7.8 million less at the end of 2024 than at the end of 2023. In 2024, investment increases offset by capital asset depreciation were the main sources for the change in value. As of June 30, 2024, there was $3.2 million of noncurrent assets in long-term investment funds. These investments can be used to meet ICA's long-term obligations.
- Current liabilities increased by $18.2 million during 2024 to a total of $50.1 million largely due to the Pac-12 management fee payable being reclassified from non-current to current liability. In addition, there was an accrual for severance for the men's basketball head coach who was terminated in March 2024, the contract buyout liability for the new men's basketball head coach, and the ticket liability for the neutral site 2024 Apple Cup.
- Noncurrent liabilities decreased by $5.7 million in 2024 due to the Pac-12 management fee payable being reclassified from a noncurrent liability to current liability. Part of the decrease is offset by an increase in other post-employment benefit (OPEB) and subscription liabilities.

- The change in net position measures whether the overall financial condition has improved or deteriorated during the year. The total net position decreased by $20.6 million during 2024 mainly due to an increase in expenses not fully being offset by the increases in revenues.

ICA's Net Position

The following table is a summary of the net position for ICA at June 30.

		2024 (In thousands)	2023 (In thousands)
Net investment in capital assets	$	4,478	14,579
Restricted:			
Nonexpendable		86,525	81,378
Expendable		82,391	66,140
Unrestricted		(60,165)	(28,281)
Total net position	$	113,229	133,816

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 $10.1 million in 2024 to a total of $4.5 million. This balance increases as debt is paid off or when ICA funds capital asset purchases without financing. The balance decreases as assets are depreciated or debt increases.
- Restricted nonexpendable net position increased by $5.1 million in 2024, due to an increase in contributed endowments of $4.9 million.
- Restricted expendable net position increased by $16.3 million in 2024 due to an increase in the market value of endowments and additional contributions to the Basketball Operations restricted gift budget.
- Unrestricted net position decreased by $31.9 million in 2024 mainly due to operational expenses exceeding operational and nonoperational revenues.

- The fair market value of ICA's endowments was $128.8 million at June 30, 2024 and $115.5 million at June 30, 2023. The increase in 2024 is due to additional endowment contributions of $4.9 million and higher fair market values than in 2023.
- ICA had $3.2 million and $17.1 million of long-term investments, not including endowments, in the University of Washington's CEF at June 30, 2024, and 2023, respectively. In fiscal year 2024, ICA had a market-related gain of $1.1 million. ICA sold $15.0 million of long-term investments in June 2024.
- Short-term investments in the Invested Funds Pool used as operating funds for ICA yielded no returns in 2024 or 2023.

Capital Improvements and Related Debt

- In 2024, there was a net decrease of $10.1 million in net investment in capital assets, primarily related to the depreciation of capital assets exceeding the acquisition of capital assets during the year.

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents 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.

Revenue, Expenses, and Changes in Net Position Summary

		2024	2023
		(In thousands)	
Operating revenue	$	137,836	119,417
Operating expenses		(218,171)	(160,326)
Operating loss		(80,335)	(40,909)
Nonoperating revenues, net		45,840	27,439
Other revenues		13,908	13,378
Decrease in net position		(20,587)	(92)
Net position, beginning of year		133,816	133,908
Net position, end of year	$	113,229	133,816

(Continued)

Revenues from All Sources

The following table summarizes revenues from all sources for the years ended June 30.

Revenues from All Sources Summary (In thousands)

		2024	2023
Gate ticket sales	$	58,219	50,404
NCAA/conference distributions		50,361	41,251
Sponsorships, trademarks, and licensing		22,103	21,203
Concessions, souvenirs, parking, and boat moorage		4,671	4,051
Other operating revenue		2,483	2,508
Contribution (noncapital)		15,512	19,146
Investment income, net		4,585	4,333
Gain on investments		6,231	2,239
University funded tuition waivers		5,221	4,710
University support		4,789	5,569
Coaches contract settlement		18,397	315
Lease revenue		792	792
Lease interest income		553	568
Capital gifts		9,008	10,210
Endowment gifts		4,900	3,167
Total revenue – all sources	$	207,825	170,466

The following are comments about the changes highlighted by the revenue from all sources 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 increased by $7.8 million in 2024 due to higher sales for football tickets due to the opponent schedule and several home football games being sold out in the fall of 2023.
- NCAA/conference distributions increased by $9.1 million in 2024 due to the football team share for a College Football Playoff bowl game and playing in the National Championship game in 2024. In addition, there was an increase in the Pac-12 Network revenue share from 2023.
- In 2024, sponsorship revenue increased by $900 thousand due to an increase in the Adidas product allotment and incentive payments that were generated by the football team's success. In addition, revenue from trademarks and licensing increased from the prior year.
- Concessions, souvenirs, parking, and boat moorage increased by $620 thousand in 2024 due primarily to an increase in concessions sales related to the higher attendance at home football games.
- Contributions decreased by $3.6 million in 2024 mainly due to $5.7 million more in gifts to the Football Enhancement Fund being received in fiscal year 2023.

- Investment income increased by $252 thousand in 2024. Investment income is earned on the following two categories:
  - Investment income in the CEF increased by $252 thousand in 2024 mainly due to an increase in the balance held in the CEF during this period.
  - Short-term investments received zero distributions in 2024 and 2023.
- In 2024, there was an increase in gain on investments of $4.0 million due to the increase in value of long-term investments and endowment funds.
- In 2024, the Department received $2.1 million from the University's Rate Stabilization Account and $533 thousand and $200 thousand from the University to support student mental health and security, respectively. In addition, the University provided $1.9 million in support for the shortfall in distribution from the Pac-12 conference related to the Pac-12 Network reduction in distributions from Comcast and Dish.
- In 2024, coaches contract settlements increased due to required contractual payments related to resignations by two athletic directors, the football coaching staff, the women's gymnastics head coach, and the head baseball coach.
- Capital gifts were $9.0 million in 2024. The decrease in 2024 is mainly related to less gifts being received for the Basketball Operations Center.
- Endowment gifts increased by $1.7 million in 2024 due to the establishment of new endowments.

(Continued)

Expenses and Losses

The following table summarizes expenses and losses for the years ended June 30.

Expenses and Losses Summary

		2024	2023
		(In thousands)	
Salaries and wages	$	58,773	45,166
Payroll taxes and employee benefits		14,540	9,109
Athletic student aid		18,127	16,579
Guarantees paid to visiting teams		4,509	3,421
Team travel		16,818	10,380
Day of game		11,073	12,276
Direct facilities, maintenance, and utilities		7,326	5,933
Advertising		153	153
Uniforms, supplies, and Student Athlete Awards		12,884	11,896
Training table		7,298	5,307
Department relations		1,401	929
Banquets and special events		846	380
Depreciation		15,278	15,698
Subscription amortization		401	220
Noncapitalized equipment and repairs		5,622	4,151
Conference exit fee		6,500	—
Contract buyouts		9,906	—
Other operating expenses		26,715	18,728
Total operating expenses		218,170	160,326
Gain on disposal of capital assets		(21)	(32)
Interest expense		10,263	10,264
Total nonoperating expenses and losses		10,242	10,232
Total	$	228,412	170,558

(Continued)

The following are comments about the changes in expenses highlighted by the expenses and losses summary:

- Salaries and wages increased by $13.6 million in 2024 from 2023 due to severance payments for the former football staff and men's basketball head coach and other coaching staff, incentive payouts for the football coaching and administrative staff for playing in the Sugar Bowl and the College Football National Championship game, and the addition of a new football coaching staff whose salaries are higher than the prior staff.
- Payroll taxes and employee benefits increased by $5.4 million in 2024 from 2023 due to higher football coaching salaries and higher football bonus payouts. The percentages charged to ICA on professional and contract staff salaries went from 31.8% in 2023 to 30.0% in 2024. The percentages charged on classified staff salaries went from 39.5% in 2023 to 38.1% in 2024. The percentages charged on hourly staff and overtime went from 21.5% in 2023 to 21.2% in 2024.
- Athletic student aid increased by $1.5 million in 2024 from 2023 due to in-state tuition increasing by 3.2% and out-of-state tuition rates increasing by 3.1%.
- Guarantees paid to visiting teams fluctuate due to the difference in the nonconference football game schedule. In fiscal year 2024, guarantees increased by $1.1 million due to the nonconference schedule.
- Team travel increased by $6.4 million in 2024 from 2023 due to an increase in costs related to the football team playing in the Pac-12 football championship game, the Sugar Bowl, and the College Football National Championship game, additional airline team charters for the basketball teams, and overall cost increases in travel.
- Day of game decreased by $1.2 million in 2024 from 2023 due to not hosting NCAA softball, men's soccer, and cross-country post season competitions, not hosting a Friday night home football game, and lower costs associated with discretionary tickets.
- Direct facilities, maintenance, and utilities increased by $1.4 million in 2024 due to changes in utility costs and contract payments to vendors in 2024.
- Uniforms, supplies, and Student Athlete Awards increased by $988 thousand in 2024. The increase in 2024 is due to an increase in the purchase of general, athletic, custodial, and nutritional supplies.
- Training table increased $2.0 million in 2024 due to increased costs for providing additional meals to student athletes and increases in food and catering expenses.
- Department relations and banquets and special events increased by a total of $472 thousand in 2024 due to an increase in costs for food and entertainment and more events due to the football team's success.
- Noncapitalized equipment and repairs increased by $1.5 million in 2024. The increase in 2024 is due to having more noncapitalized facility enhancement projects.
- In 2024, as part of the settlement agreement with the Pac-12 Conference, a $6.5 million exit fee was paid.
- In 2024, $9.9 million was paid to other schools to buy out the contracts of recently hired football coaches, men's basketball coaches, and athletic directors.
- Other expenses increased by $8.0 million in 2024 mainly due to higher costs for the Pac-12 assessment and increases in other costs for administrative and recruiting travel and onboarding two athletic directors, a new football and men's basketball coaching staff, and other administrative athletic staff.

(Continued)

Operating Loss

There was an operating loss of approximately $80.3 million in 2024. There was not sufficient nonoperating revenues from contributions, investment income, University funded tuition waivers, and other nonoperating revenues to cover the operating loss for 2024.

Economic Factors Affecting the Future

ICA is influenced by a complex web of economic factors, each with its own set of implications and uncertainties. Some of the factors include the recent change of conference affiliation from the Pac-12 to the Big 10, changes in NCAA regulations, ongoing payment of facility debt, and pending legislation as related to revenue sharing with student-athletes.

It is likely that in fiscal year 2026, ICA will be sharing a portion of revenue with student-athletes as a result of an ongoing settlement moving through the United States District Court for the Northern District of California, *House vs. NCAA*. The addition of revenue sharing will result in a new expense for ICA that will need to be addressed from increased revenue or cost containment strategies. Other impacts of this litigation are likely to include the elimination of "equivalency" scholarships, making all athletic scholarships full scholarships, however, these scholarships will be limited by newly enforced NCAA roster limits. These new roster limits are likely to impact expenses.

ICA is scheduled to resume paying principal on the facility debt in fiscal year 2026, increasing its debt obligation considerably. These payments may make it difficult to adjust to revenue sharing, other potential NCAA rule changes, or make improvements to ICA's existing facilities.

In August 2024, the University officially joined the Big 10 conference. Travel expenses will increase considerably in fiscal year 2025 and beyond as ICA's athletic programs travel across the country and across multiple time zones for athletic competitions. Other expenses, including facility improvements and video upgrades, are likely to be required for Big 10 membership. The change in conference affiliation is also likely to generate more revenue as additional marquee athletic programs are slated to travel to the University for competition, which should have a positive effect on gate revenue.

Pursuant to the membership agreement with the Big 10, the University is due to only receive a "half share" of Big 10 media revenues from fiscal year 2025 through fiscal year 2030, which means it will receive half the revenue of most of its peer institutions in the Big 10. This half share will limit ICA's full revenue potential as a member of the Big 10 conference until the University earns a full share in fiscal year 2031.

The University filed a lawsuit in King County Superior Court against its property insurer, Liberty Mutual, on September 23, 2022 to recover unreimbursed losses under its policies during COVID-19. The University filed this lawsuit to preserve its rights of recovery under these insurance policies. Losses experienced across the Department's properties are included in this lawsuit, as well as properties related to the University of Washington Medical Center. This lawsuit is still in progress.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Statement of Net Position

June 30, 2024

Assets and Deferred Outflows of Resources

Current assets:	
Cash in the University of Washington Invested Funds Pool (note 2)	$ 27,133,067
Accounts receivable	5,941,678
Intercompany receivable	134,917
Prepaid expenses	1,411,037
Lease receivable, current portion (note 10)	583,525
Accrued interest receivable (note 10)	43,092
Total current assets	35,247,316
Noncurrent assets:	
Investments:	
University of Washington Consolidated Endowment Fund (note 3)	3,245,335
Endowments (note 3)	128,768,693
University of Washington Supplemental Retirement Plan (note 8)	5,506,870
Advances to University for capital projects	74,325
Lease receivable, net of current portion (note 10)	15,851,654
Subscription assets, net (note 10)	1,542,783
Capital assets, net (note 4)	248,922,552
Pension assets (note 8)	3,349,627
Total noncurrent assets	407,261,839
Total assets	442,509,155
Pension deferred outflows of resources (note 8)	6,116,692
OPEB deferred outflows of resources (note 9)	1,308,619
Total assets and deferred outflows of resources	$ 449,934,466

Liabilities, Deferred Inflows of Resources, and Net Position

Current liabilities:	
Accounts payable	$ 18,427,758
Accrued salaries and vacation payable	4,142,481
Admission taxes payable	826,231
Other taxes payable	1,453,368
Unearned income	17,431,202
Other current liabilities	512,597
Pac-12 management fee payable	7,300,000
Total current liabilities	50,093,637
Noncurrent liabilities:	
Internal lending program payable (note 6)	244,444,707
Subscriptions (note 10)	1,054,688
Pension liabilities (note 8)	3,555,859
Other post-employment benefit (OPEB) liabilities (note 9)	9,201,451
Total noncurrent liabilities	258,256,705
Total liabilities	308,350,342
Lease deferred inflows of resources (note 10)	15,185,706
Pension deferred inflows of resources (note 8)	7,259,909
OPEB deferred inflows of resources (note 9)	5,909,432
Total liabilities and deferred inflows of resources	336,705,389
Net position:	
Net investment in capital assets	4,477,845
Restricted:	
Nonexpendable (note 3)	86,524,674
Expendable:	
Expendable endowment principal (note 3)	1,409,543
Expendable endowment gains	40,834,476
Other expendable	40,147,880
Unrestricted	(60,165,341)
Total net position	113,229,077
Total liabilities, deferred inflows of resources, and net position	$ 449,934,466

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Statement of Revenue, Expenses, and Changes in Net Position

Year ended June 30, 2024

Operating revenue:	
Gate ticket sales	$ 58,218,902
NCAA/conference distributions	50,360,904
Sponsorships	20,701,412
Concessions, souvenirs, parking, and boat moorage	4,671,027
Trademarks and licensing	1,401,461
Facility income	1,556,727
Other	925,766
Total operating revenue	137,836,199
Operating expenses:	
Salaries and wages	58,772,695
Payroll taxes and employee benefits	14,539,644
Athletic student aid	18,126,917
Guarantees paid to visiting teams	4,508,768
Team travel	16,818,067
Day of game expenses	11,072,945
Direct facilities, maintenance, and utilities	7,326,288
Uniforms, supplies, and Student Athlete Awards	12,883,702
Training table	7,297,670
Department relations	1,400,710
Banquets and special events	846,166
Depreciation	15,278,428
Subscription amortization	401,014
Noncapitalized equipment and repairs	5,622,215
Medical expenses	1,995,942
Fundraising, marketing, and promotions	505,581
Recruiting	2,132,760
Equipment	8,016
Conference exit fee	6,500,000
Contract buyouts	9,905,974
Other	22,227,496
Total operating expenses	218,170,998
Operating loss	(80,334,799)
Nonoperating revenues (expenses):	
Contributions	15,512,407
Investment income on Consolidated Endowment Fund (CEF)	4,585,473
Gain on investments	6,230,964
Gain on disposal of capital assets	21,499
University funded tuition waivers	5,221,108
University support	4,789,000
Coaches contract settlement agreement	18,397,480
Lease revenue	792,298
Lease interest income	552,548
Interest expense	(10,262,797)
Total nonoperating revenues, net	45,839,980
Loss before other revenues	(34,494,819)
Other revenues:	
Capital gifts	9,008,051
Gifts to permanent endowments	4,899,742
Total other revenues	13,907,793
Decrease in net position	(20,587,026)
Net position:	
Net position at beginning of year	133,816,103
Net position at end of year	$ 113,229,077

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Statement of Cash Flows

Year ended June 30, 2024

Cash flows from operating activities:		
Gate ticket sales	$	56,312,692
NCAA/conference distributions		49,567,422
Sponsorships		15,177,334
Concessions and souvenirs		4,662,992
Trademarks and licensing		1,401,461
Facility income		1,432,059
Other		925,766
Payments to suppliers		(92,143,766)
Payments to employees		(59,237,082)
Payments for benefits		(16,266,112)
Payments for athletic aid		(18,287,163)
Net cash used in operating activities		(56,454,397)
Cash flows from noncapital financing activities:		
Contributions, excluding permanent endowments and capital		15,512,407
Contributions to permanent endowments		4,899,742
Interest paid on Pac-12 Multimedia Rights (MMR)		(511,474)
Interest paid on subscriptions		(23,638)
Coaches contract settlement agreement		16,302,508
University funded tuition waivers		5,221,108
University support		6,311,500
Lease revenue		547,687
Lease interest revenue		553,984
Net cash provided by noncapital financing activities		48,813,824
Cash flows from capital and related financing activities:		
Capital gifts received		9,008,051
Acquisition and construction of capital assets		(5,155,933)
Interest paid on capital debt		(9,777,788)
Net cash used in capital and related financing activities		(5,925,670)
Cash flows from investing activities:		
Sales of investments		15,000,000
Purchases of investments		(4,899,742)
Investment income		92,853
Net cash provided by investing activities		10,193,111
Net decrease in cash and cash equivalents		(3,373,132)
Cash and cash equivalents at beginning of year		30,506,199
Cash and cash equivalents at end of year	$	27,133,067
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(80,334,799)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		15,278,428
Amortization expense		401,014
Other changes in assets and liabilities:		
Decrease in accounts receivable		(982,974)
Decrease in prepaid expenses		657,594
Increase in pension asset		(878,627)
Increase in accounts payable		11,249,170
Increase in other taxes payable		1,453,368
Decrease in unearned income		(1,584,767)
Decrease in accrued salaries and vacation payable		(467,075)
Increase in subscription asset		(1,800,387)
Increase in subscription liability		1,422,084
Increase in subscription accrued interest		22,136
Decrease increase in pension liability		(404,105)
Decrease in OPEB liability		(443,736)
Decrease in admissions taxes payable		(41,721)
Net cash used in operating activities	$	(56,454,397)
Supplemental disclosures of noncash activities:		
Donated supplies and team travel costs	$	5,400,000
Donated advertising		152,500

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.

(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, statement of net position, statement of revenue, expenses, and changes in net position, statement of cash flows, and notes to the financial statements. The financial statements of the Department are intended to present the financial position and cash flows of only that portion of the University of Washington that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2024, 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 statement of revenue, 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 statement 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, 2024 are unearned. The Department's receipts are recognized as income in the period in which the games are played. At June 30, 2024, unearned income consists of the following:

		2024
Advance sales of football tickets	$	16,625,203
Advance sales for men's and women's basketball		579,233
Other unearned income		226,766
	$	17,431,202

(f) Operating Activities

The Department defines operating activities, as reported on the statement of revenue, expenses, and changes in net position, as those transactions that are consistent with the Department's mission of providing a leading-edge student-athlete experience in competition and in the classroom. Certain other revenues received not directly related to this mission 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 supplies is recognized as a voluntary nonexchange transaction and is recorded in income when the related advertising or supplies are received.

The Department recorded $5.6 million in sponsorship revenue for these transactions in the year ended June 30, 2024.

(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 for the year ended June 30, 2024.

(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.

(Continued)

ICA's share of pension and OPEB 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 Postretirement Benefits

Cost-Sharing Pension Plans. The net pension asset or liability is measured as the Department'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 Department's proportionate share is determined based on the relationship of Department 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 Department'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. ICA reports its proportionate share of the related pension amounts in the accompanying financial statements.

Single Employer Pension Plan (UW Supplemental Retirement Plan or UWSRP). Legislation signed into law on July 1, 2020 amended the Revised Code of Washington (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 Department is unable to modify the terms of the plan. Administration of the benefit calculations and payments remains the responsibility of the Department until the state's Pension Funding Council determines the trust has sufficient assets, at which time the Department of Retirement Systems (DRS) 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 substantive powers in relation to the UWSRP. The Department 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 Department.

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, 2024, reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. 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 UWSRP subsequent to the measurement date and prior to the Department's fiscal year-end are reported as a deferred outflow of resources and recognized in the subsequent fiscal year. The measurement date for the UW Supplemental Retirement Plan net pension liability is June 30 of the prior fiscal year. The ICA reports its proportionate share of the related pension amounts in the accompanying financial statements.

OPEB. The total OPEB liability is measured as the Department's proportionate share of the state of Washington total OPEB liability, with proportionate share determined based on the relationship of the Department'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 Department'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 accompanying financial statements.

(l) Leases

ICA determines if an arrangement is a lease at inception of the lease contract. Lessor arrangements are included in lease receivables and deferred inflows of resources in the statement of net position. Lease receivables represent ICA's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue on a straight-line basis over the lease term. ICA recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received.

(m) Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction for a term exceeding 12 months. The Department recognizes a right-to-use subscription asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. SBITA assets are amortized on a straight-line basis over the contract term. SBITA liabilities represent the Department's obligation to make contract payments arising from the SBITA. Interest expense is recognized ratably over the contract term. The SBITA term may include options to extend or terminate the contract when it is reasonably certain that the Department will exercise that option. The Department recognizes payments for short-term SBITAs with a term of 12 months or less as expense as the payments are made.

(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 $27,133,067 as of June 30, 2024. 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, 2024:

	2024
Cash and cash equivalents	2.1 %
Treasuries and agencies	60.4
Mortgage related securities	5.4
Asset-backed debt securities	18.7
Other	13.4
Total	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 statement 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 year ended June 30, 2024 was approximately 11.3%.

Quarterly distributions to programs are based on an annual percentage rate of 3.6%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for administrative fees of 0.90%, to support campus-wide fundraising and stewardship activities and to offset the internal cost of managing endowment assets. The Department's endowments represent 2% of the CEF balance as of June 30, 2024.

At June 30, 2024, the fund balance of the Endowment and Expendable Endowment funds stated at fair value comprised the following:

		2024
Expendable endowments:		
Graham*	$	570,442
Spence*		839,101
Endowments (including expendable gains)		127,359,150
Total	$	128,768,693

* Expenditure of principal is permitted under certain circumstances.

(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, 2024, 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, 2024, 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, 2024, 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 statement of net 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, 2024.

		2024
Assets:		
Investments measured at net asset value:		
Pooled investments in the CEF	$	3,245,335
Endowment and expendable endowment fund investments in the CEF		128,768,693
Total	$	132,014,028

The Department participates in pooled investments in the CEF and has the ability to redeem its investment at net asset value at June 30, 2024.

(4) Capital Assets

Capitalized asset activity for the year ended June 30, 2024 is summarized as follows:

	Balance at June 30, 2023	Additions (transfers)	Retirements	Balance at June 30, 2024
Buildings	$ 462,333,852	—	—	462,333,852
Furniture, fixtures, and equipment	16,751,651	1,210,715	(140,487)	17,821,879
Construction in progress*	5,973,417	3,966,717	—	9,940,134
Total	485,058,920	5,177,432	(140,487)	490,095,865
Less accumulated depreciation:				
Buildings	211,186,453	14,732,442	—	225,918,895
Furniture, fixtures, and equipment	14,848,919	545,986	(140,487)	15,254,418
Total accumulated depreciation	226,035,372	15,278,428	(140,487)	241,173,313
Capital assets, net	$ 259,023,548	(10,100,996)	—	248,922,552

* Nondepreciable

(5) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2024 is summarized as follows:

	Balance as of June 30, 2023	Additions	Reductions	Balance as of June 30, 2024	Current portion as of June 30, 2024
Internal lending program payable	$ 244,444,707	—	—	244,444,707	—
Pac-12 management fee payable	7,300,000	—	—	7,300,000	7,300,000
	$ 251,744,707	—	—	251,744,707	7,300,000

The Pac-12 management fee payable is a payable due to Pac-12 Enterprises for a signing bonus received by ICA on June 26, 2015. This amount will be resolved in 2025. In July 2024, ICA executed a Capital Assistance Program operating loan financing agreement with the University to repay $4,866,667 of this loan to the University.

(6) Internal Lending Program

In February 2012, ICA began drawing money from 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. In fiscal year 2023, the Board of Regents approved a restructure of the debt service for fiscal years 2024 through 2026 as interest only, and level debt service thereafter. There is no capitalized interest or loan extension for this restructure. As of June 30, 2024, ICA has a remaining principal balance of $244.4 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 4.00%. 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:		
2025	$ —	9,777,788
2026	8,064,663	9,629,936
2027	8,393,275	9,301,325
2028	8,735,276	8,959,324
2029	9,091,213	8,603,388
2030–2034	51,323,923	37,149,077
2035–2039	62,667,988	25,805,011
2040–2044	76,519,417	11,953,584
2045–2047	19,648,952	478,257
	$ 244,444,707	121,657,690

ILP activity for the year ended June 30, 2024 is summarized as follows:

Balance as of June 30, 2023	$	244,444,707
Additions		—
Reductions		—
Balance as of June 30, 2024	$	244,444,707

(7) 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. There was $0 of institutional overhead allocated from the University for fiscal year 2024.

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.

(8) 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 (PERS) plan, which is a cost sharing multiple-employer defined-benefit pension 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 UWSRP.

(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 U.S. 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 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 Annual Comprehensive 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/news.

(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 2024 proportionate share of the pension liability is based on an OSA valuation performed as of June 30, 2022, with the results rolled forward to the measurement date of June 30, 2023. The following actuarial assumptions have been applied to all periods included in the measurement:

2024:	
Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increase	Expected to grow by promotions and longevity in addition to salary inflation assumption of 3.25%
Investment rate of return	7.00%

Mortality rates were developed using 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, 2022 valuations were based on the results of the 2013–2018 Demographic Experience Study Report and 2021 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, including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The 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 7.00% as of June 30, 2023 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, 2024 (measurement date June 30, 2023)	
	Target allocation	% Long-term expected real rate of return arithmetic
Asset class:		
Fixed income	20.00 %	1.50 %
Tangible assets	7.00	4.70
Real estate	18.00	5.40
Global equity	32.00	5.90
Private equity	23.00	8.90

The inflation component used to create the above table was 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation at the time of these valuations.

(f) Discount Rate

The discount rate used to measure the total pension liabilities as of June 30, 2024 was 7.00%. 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 7.00% future investment rate of return on pension plan investments was assumed as of the measurement date of June 30, 2023. 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 liability 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 ICA's proportionate share of the net pension liabilities and assets calculated using the discount rate of 7.00% as of measurement date June 30, 2023 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 or one-percentage-point higher than the current rate:

Discount Rate Sensitivity – Net Pension Liability (Asset)

(Dollars in thousands)

		2024 (Measurement date 2023)		
		1% Decrease	Current discount rate	1% Increase
Plan:				
PERS 1	$	2,020	1,446	945
PERS 2/3		3,643	(3,350)	(9,095)

(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 0.20%. 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 ICA participates for the year ended June 30, 2024:

Description		PERS Plan 1	PERS Plan 2/3[i]
		(Dollars in thousands)	
Contributions as of June 30, 2024:			
Contribution rate		10.39 %	10.39 %
Contributions made	$	334	712

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

(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 and assets recorded by ICA as of June 30, 2024 was June 30, 2023. Employer contributions received and processed by DRS during the fiscal year ended June 30, 2023 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, 2023 Schedules of Employer and Nonemployer Allocations. 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, 2024	0.06 %	0.08 %

(j) ICA Aggregated Balances

ICA's aggregated balances of net pension liabilities and net pension asset as of June 30, 2024 are presented in the table below:

Plan		**PERS 1**	**PERS 2/3**	**Total**
			(Dollars in thousands)	
2024:				
Net pension liability	$	1,446	—	1,446
Net pension asset		—	3,350	3,350

(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.

		Proportionate share of pension expense		
Description		**PERS Plan 1**	**PERS Plan 2/3**	**Total**
			(Dollars in thousands)	
As of June 30, 2024	$	382	(513)	(131)

Description		Deferred outflows of resources PERS 1	PERS 2/3	Total
			(Dollars in thousands)	
2024:				
Change in assumptions	$	—	1,406	1,406
Difference between expected and actual experience		—	682	682
Change in ICA's proportionate share		—	(651)	(651)
ICA contributions subsequent to the measurement date of the collective net pension liability[a]		334	712	1,046
Total	$	334	2,149	2,483

[a] Amounts will be recognized as a reduction of the net position liability as of June 30, 2024.

Description		Deferred inflows of resources PERS 1	PERS 2/3	Total
			(Dollars in thousands)	
2024:				
Difference between expected and actual earnings on plan investments, net	$	163	1,262	1,425
Change in assumptions		—	307	307
Difference between expected and actual experience		—	37	37
Total	$	163	1,606	1,769

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:

Year		Amortization of deferred inflows and deferred outflows of resources[a] PERS Plan 1	PERS Plan 2/3	Total
		(Dollars in thousands)		
2025	$	(111)	(720)	(831)
2026		(140)	(846)	(986)
2027		86	917	1,003
2028		2	262	264
2029		—	269	269
Thereafter		—	(51)	(51)
Total	$	(163)	(169)	(332)

(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.

The number of participants in the UWRP as of June 30, 2024 was 231.

(ii) 403(b) 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 year ended June 30, 2024 were $1,465,059.

(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, 2024 net pension liabilities, 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. Participant data is uploaded biannually in the actuarial valuations. The Department has staff participating in this plan.

Number of participants:

	2024
Active employees	54
Inactive employees receiving benefits	17
Inactive employees entitled to, but not receiving, benefits	4

(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 year ended June 30, 2024 were $178,051.

(ii) 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. ICA's contribution rate for fiscal year ended June 20, 2024 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in fiscal year ended June 30, 2024 was $127,760.

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. The annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense for the measurement period ended June 30, 2024 was 7.16%. 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.

(iii) Other Designated Assets

ICA has also set aside assets to pay UWSRP benefits 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 TPL. As of June 30, 2024, ICA has set aside $5,506,870 to pay future UWSRP retiree benefits. These assets are in addition to those amounts now residing with the WSIB, which are reflected as a reduction of the TPL.

(iv) UWSRP Pension Liability

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 beginning January 1, 2012 were transferred into the trust when this legislation became effective. As a result, ICA uses accounting guidance for single-employer plans that have trusted assets and reports the pension liability net of plan assets.

(Continued)

GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, allows the employer to use a measurement date for the TPL and the NPL no earlier than the end of the employer's prior fiscal year. In prior years, the measurement date used by the Department for valuation of the TPL and the NPL were the same as the department financial reporting date. In fiscal year 2024, however, the Department elected to transition to using a measurement date which lags the financial reporting date by one fiscal year. As a result of this transition, the June 30, 2024 NPL is based on the measurement date of June 30, 2023. There was no material impact associated with this change. The TPL, Fiduciary Net Position, and the NPL for the UWSRP remained the same at $3,505,000, $1,395,000, and $2,110,000, respectively, as there were no changes to the components of pension liabilities in fiscal year 2024. No pension expense for the UWSRP plan has been recorded in the year ended June 30, 2024, due to the transition described above. Additionally, the contributions made after the June 30, 2023 measurement date and before the end of the June 30, 2024 fiscal year are recorded as deferred outflow of resources instead of reflected as a reduction of the NPL in the current fiscal year. The allocation method used to determine ICA's proportionate share of the NPL and TPL is based on its unit allocation of what is funded through the benefit load process. This proportionate share percentage for ICA was 1.53% as of June 30, 2024.

The June 30, 2024 TPL is based on an actuarial valuation performed as of January 1, 2023 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2023. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. OSA's model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). The valuation was prepared using the entry age actuarial cost method.

(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 impact on the ICA's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2024:

		2024
		(Dollars in thousands)
Significant assumptions used to measure the total 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		7.00 %
Change in the discount since prior measurement date		NA
Source of discount rate		2021 Report on Financial Condition and Economic Experience Study
Long-term expected rate of return		7.00 %
NPL measurement at discount rate	$	2,110
NPL discount rate increased 1%		1,764
NPL discount rate decreased 1%		2,513

There were no changes to the significant assumptions used for the period ended June 30, 2024.

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, 2024 are summarized in the following table:

Asset class	Target allocation	2024 Long-term expected arithmetic real rate of return
Fixed income	20.00 %	1.50 %
Tangible assets	7.00	4.70
Real estate	18.00	5.40
Global equity	32.00	5.90
Private equity	23.00	8.90

As noted above, the discount rate used to measure the total pension liability was 7.00 percent in 2024. The projection of cash flows used to determine the discount rate assumed that ICA would pay retiree benefits from assets designated for that purpose, until such time that responsibility for these payments transfers to the DRS and payments are funded by the plan assets invested in the CTF. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the long-term expected rate of return on pension payments investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

(vi) Deferred Inflows and Outflows of Resources

The tables below summarize ICA's deferred outflows and inflows of resources related to the UWSRP as of June 30, 2024, together with the related future year impacts to pension expense from amortization of those deferred amounts:

		2024
		(Dollars in thousands)
Deferred outflows of resources:		
Difference between expected and actual experience	$	1,313
Change in assumptions		1,247
Subsequent to the measurement date of the collective net pension liabiilty		305
Total plan level deferred outflows		2,865
Change in proportion		768
Total	$	3,633

		2024
		(Dollars in thousands)
Deferred inflows of resources:		
Difference between expected and actual experience	$	3,378
Change in assumptions		2,073
Net difference between projected and actual earnings plan investments		39
Total plan level deferred inflows		5,490
Total	$	5,490

		UWSRP (Dollars in thousands)
Amortization of deferred inflows and deferred outflows of resources (a):		
Year:		
2025	$	(544)
2026		(425)
2027		(327)
2028		(821)
2029		(25)
Thereafter		(20)
Total	$	(2,162)

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

(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. 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 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 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 $183 per member per month during fiscal year 2024.

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, 2024:

	2024 (measurement date 2023)
Active employees	270
Inactive employees receiving benefits	78
Inactive employees entitled to, but not receiving, benefits	N/A*

* Data not available from Washington State HCA

(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 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, 2024:

Significant Assumptions Used to Measure the Total OPEB Liability (TOL)

(Dollars in thousands)

	June 30, 2024
Inflation	2.35 %
Healthcare cost trend rate	Initial rate ranges from about 2 to 11%, reaching an ultimate rate of approximately 3.80% in 2080.
Salary increase	3.25%, 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.
Date of experience study	2013–2018 Experience Study Report
Discount rate	3.65 %
Source of discount rate	Bond Buyer General Obligation 20-Bond Municipal Bond Index as of June 30, 2023 (Measurement Date)
Post-Retirement Participant Percentage	60.00 %
TOL measurement at discount rate	$ 9,201
TOL discount rate increased 1%	7,943
TOL discount rate decreased 1%	10,766
TOL measurement at healthcare cost trend rate	9,201
TOL healthcare cost trend rate increased 1%	11,093
TOL healthcare cost trend rate decreased 1%	7,732

Material assumption changes during the measurement period ended June 30, 2023 include updating the discount rate, as required by GASB Statement No. 75.

Changes in the Total OPEB Liability

The TOL for the state of Washington as of June 30, 2024 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2022, with the results rolled forward to the measurement date of June 30, 2023. 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 0.720% in 2024.

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 a proportionate share of the University's total OPEB liability.

Schedule of Changes in Total OPEB Liability

(Dollars in thousands)

		2024
Beginning balance	$	8,718
Service cost		323
Interest		324
Change in assumptions		(156)
Benefit payments		(226)
Changes in proportionate share		218
Ending balance	$	9,201

(c) *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 OPEB 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.

		2024 (Dollars in thousands)
Proportionate share of OPEB expense	$	212
Deferred outflows of resources:		
Differences between expected and actual experience in the measurement of the total OPEB liability	$	140
Changes in assumptions		598
University contributions subsequent to the measurement date of the collective total OPEB liability		232
Changes in proportion		339
Total	$	1,309
Deferred inflows of resources:		
Differences between expected and actual experience in the measurement of the total OPEB liability	$	273
Change in assumptions		5,513
Change in proportion		123
Total	$	5,909

Amounts reported as deferred outflows and 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:		
2025	$	(537)
2026		(537)
2027		(537)
2028		(537)
2029		(537)
Thereafter		(2,147)
Total	$	(4,832)

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

(10) Leases and related Subscription-Based Information Technology Arrangements

(a) Lessor Arrangements

ICA leases building and ground space to the University of Washington Sports Medicine department within Husky Stadium. The lease expires on August 2043 and provides for the lease agreement to be reviewed every 10 years and amended as needed. In accordance with GASB Statement No. 87, the Department records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the lease. The expected receipts are discounted using the Department's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. The Department recognized revenues related to lease agreements totaling $1.3 million as of June 30, 2024.

Future minimum lease payments to be received under lessor agreements as of June 30, 2024 are as follows:

Year		Principal	Interest	Total
2025	$	583,525	533,663	1,117,188
2026		603,077	514,111	1,117,188
2027		623,284	493,904	1,117,188
2028		642,873	474,315	1,117,188
2029–2033		3,558,122	2,027,818	5,585,940
2034–2038		4,682,946	1,352,973	6,035,919
2039–2043		5,540,463	510,972	6,051,435
2044		200,889	827	201,716
Total	$	16,435,179	5,908,583	22,343,762

(b) Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction for a term exceeding 12 months. ICA enters subscription-based information arrangements which expire at various dates through 2028. In accordance with GASB Statement No. 96, ICA recognizes a right-to-use subscription asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. Similar to leases, the expected future subscription payments are discounted using the ICA's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance.

ICA's right-to-use assets and related accumulated amortization for fiscal year ended June 30, 2024 are summarized as follows:

	Balance as of June 30, 2023	Additions	Modifications and renewals	Deductions	Balance as of June 30, 2024
Right-of-use assets:					
Subscription assets	$ 560,139	1,800,387	—	(425,999)	1,934,527
Total right-of-use assets	560,139	1,800,387	—	(425,999)	1,934,527
Less accumulated amortization subscription assets	416,729	401,014	—	(425,999)	391,744
Total accumulated amortization	416,729	401,014	—	(425,999)	391,744
Total right-of-use assets, net	$ 143,410	1,399,373	—	—	1,542,783

Total future annual subscription payments under SBITAs as of June 30, 2024 are as follows:

Year	Principal	Interest	Total
2025	$ 490,461	23,489	513,950
2026	397,918	46,354	444,272
2027	313,127	28,873	342,000
2028	343,643	15,107	358,750
Total	$ 1,545,149	113,823	1,658,972

(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 2025 through 2031 that provide for certain salary guarantees and commitments. The annual salary payments will be funded through the Department. At June 30, 2024, the total commitment for all contracts for the next five years and in the aggregate is as follows:

	Guaranteed amount
Year ending June 30:	
2025	$ 39,955,957
2026	21,422,142
2027	15,374,352
2028	14,931,603
2029	13,940,009
Thereafter	15,037,554
	$ 120,661,617

Schedule 1

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Required Supplementary Information

June 30, 2024

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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Intercollegiate Athletics' proportion of the net pension liability	0.060 %	0.050 %	0.040 %	0.040 %	0.050 %	0.040 %	0.050 %	0.047 %	0.051 %
Intercollegiate Athletics' proportionate share of the net pension liability	$ 1,446	1,423	487	1,544	1,789	1,983	2,166	2,501	2,645
Intercollegiate Athletics' covered payroll	11,252	8,290	6,081	6,570	6,043	5,819	5,643	5,429	5,625
Intercollegiate Athletics' proportionate share of the net pension liability as a percentage of covered payroll	12.85 %	17.17 %	8.00 %	23.50 %	29.61 %	34.09 %	38.38 %	46.01 %	47.02 %
Plan fiduciary net position as a percentage of the total pension liability	80.16 %	76.56 %	88.74 %	68.64 %	67.12 %	63.22 %	61.24 %	57.03 %	59.10 %

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

PERS 1

(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 2	3	3	3	5	7	9	10	12
Contributions in relation to the contractually required contribution	2	3	3	3	5	7	9	10	12
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—
Intercollegiate Athletics' covered payroll	11,152	11,252	8,290	6,081	6,570	6,043	5,819	5,643	5,429
Contributions as a percentage of covered payroll	0.02 %	0.02 %	0.03 %	0.05 %	0.08 %	0.11 %	0.15 %	0.17 %	0.22 %

(Continued)

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UNIVERSITY OF WASHINGTON
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Schedules of Required Supplementary Information

June 30, 2024

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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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Intercollegiate Athletics' proportion of the net pension liability	0.08 %	0.07 %	0.05 %	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %
Intercollegiate Athletics' proportionate share of the net pension (asset) liability	$ (3,350)	(2,471)	(5,068)	712	572	954	1,999	2,854	2,135
Intercollegiate Athletics' covered payroll	11,298	8,328	6,085	6,494	6,037	5,795	5,640	5,295	5,302
Intercollegiate Athletics' proportionate share of the net pension liability as a percentage of covered payroll	(29.65)%	(29.67)%	(83.29)%	10.97 %	9.48 %	16.46 %	35.44 %	53.90 %	40.27 %
Plan fiduciary net position as a percentage of the total pension liability	107.02 %	106.73 %	102.29 %	97.22 %	97.70 %	95.77 %	90.97 %	85.82 %	89.20 %

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

PERS 2/3

(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,069	1,171	863	788	835	773	732	631	588
Contributions in relation to the contractually required contribution	1,069	1,171	858	788	835	773	733	631	593
Contribution deficiency (excess)	—	—	5	—	—	—	(1)	—	(5)
Intercollegiate Athletics' covered payroll	11,198	11,298	8,328	6,085	6,494	6,037	5,795	5,640	5,295
Contributions as a percentage of covered payroll	9.54 %	10.36 %	10.37 %	12.95 %	12.86 %	12.80 %	12.64 %	11.18 %	11.10 %

(Continued)

Schedule 1

UNIVERSITY OF WASHINGTON
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Schedules of Required Supplementary Information

June 30, 2024

Unaudited – See accompanying independent auditors' report.

Schedule of Changes in Net Pension Liability (NPL)

UW Supplemental Retirement Plan

(Dollars in thousands)

	2024*	2023	2022	2021
Total pension liability – beginning	$ 3,505	3,974	2,569	9,861
Service cost	—	66	47	265
Interest on TPL	—	288	202	204
Difference between expected and actual experience	—	(409)	863	(4,309)
Change in assumptions	—	(347)	281	(2,582)
Change in proportion	—	—	—	(757)
Benefit payments	—	(143)	(131)	(113)
Other changes	—	76	143	—
Net change in total pension liability	—	(469)	1,405	(7,292)
Total pension liability – ending (a)	3,505	3,505	3,974	2,569
Plan fiduciary net position – beginning	1,395	1,192	1,108	769
Employer contributions	—	109	83	82
Net investment income	—	94	1	257
Net change in plan fiduciary net position	—	203	84	339
Plan fiduciary net position – ending (b)	1,395	1,395	1,192	1,108
UWSRP Net Pension liability (a) minus (b)	$ 2,110	2,110	2,782	1,461
Plan fiduciary net position as a percentage of the total pension liability	38.70 %	38.70 %	28.87 %	43.15 %
Department's UWRP covered payroll	$ 28,684	28,684	21,875	20,041
Net pension liability as a percentage of covered payroll	7.35 %	7.35 %	12.72 %	7.29 %

*In fiscal year 2024, the Department elected to transition to a measurement date that lags the financial report date by one year. As a result, the June 30, 2024 NPL is based on a measurement date of June 30, 2023. There was no material impact associated with this change.

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UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Required Supplementary Information

June 30, 2024

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)

	2024	2023	2022	2021
Contractually required contribution	$ 128	109	83	76
Contributions in relation to the contractually required contribution	128	109	83	82
Contribution excess	$ —	—	—	(6)
The Department's UWSRP covered payroll	$ 33,832	26,684	21,875	20,041
Contributions as a percentage of covered payroll	0.38 %	0.38 %	0.38 %	0.41 %

Schedule 1

UNIVERSITY OF WASHINGTON
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June 30, 2024

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
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 ended June 30, 2020 and preceding years is based on the payroll of the participants of the UWSRP.

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Schedule 1

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Required Supplementary Information

June 30, 2024

Unaudited – See accompanying independent auditors’ report.

Schedule of Changes in Total OPEB Liability

(Dollars in thousands)

		2024	2023	2022	2021	2020	2019	2018
Total OPEB liability – beginning	$	8,718	12,545	12,666	12,271	11,070	11,730	12,601
Service cost		323	643	627	526	497	692	795
Interest on total OPEB liability		324	298	271	440	430	476	372
Difference between expected and actual experience		—	(295)	—	(67)	—	434	—
Change in assumptions		(156)	(4,989)	116	285	803	(3,030)	(1,817)
Change in proportionate share		218	735	308	(132)	(332)	969	(31)
Benefit payments		(226)	(219)	(206)	(209)	(197)	(201)	(190)
Other		—	—	(1,237)	(448)	—	—	—
Total OPEB liability – ending	$	9,201	8,718	12,545	12,666	12,271	11,070	11,730
OPEB covered payroll	$	25,681	22,612	20,845	21,624	21,689	20,388	18,954
Total OPEB liability as percentage of covered payroll		35.83 %	38.56 %	60.18 %	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, 2021 valuation date, completed in the fall of 2022, plus any supplemental contribution rates from the preceding legislative sessions, determines the ADC for the period beginning July 1, 2023, and ending June 30, 2025.

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, 2024 is based on the payroll of participants in the University's 403(b) defined contribution UWRP.

The source for the discount rate changed in 2021 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.

The June 30, 2024 TPL and NPL are based on an actuarial valuation performed as of January 1, 2023 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2023. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. OSA's model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). The valuation was prepared using the entry age actuarial cost method.

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 2024 measurement period relate to an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.54% for the June 30, 2022 measurement date to 3.65% for the June 30, 2023 measurement date. This change in assumption resulted in a decrease in the TOL.

Schedule 2

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Operating and Other Revenue by Specific Function

Year ended June 30, 2024

	Men's football	Men's basketball	Women's basketball	Other sports		Administration and other	Total
				Men's	Women's		
Gate ticket sales revenue:							
Ticket sales for home events	$ 31,421,121	2,235,635	437,641	285,971	961,928	—	35,342,296
Admission taxes	(1,496,258)	(106,399)	(20,770)	(14,188)	(45,683)	—	(1,683,298)
Ticket-processing fees	1,093,174	28,793	4,173	1,622	2,497	—	1,130,259
	31,018,037	2,158,029	421,044	273,405	918,742	—	34,789,257
Seat-related gifts	21,378,404	1,450,380	31,850	—	—	—	22,860,634
University's share of gate revenue for away games	500,000	—	6,011	30,700	32,300	—	569,011
Total gate ticket sales revenue	52,896,441	3,608,409	458,905	304,105	951,042	—	58,218,902
NCAA/conference distributions:							
PAC-12 television share	22,748,836	4,017,075	—	—	—	—	26,765,911
PAC-12 Rose/other bowl shares	9,053,084	—	—	—	—	—	9,053,084
Bowl participation	6,135,464	—	—	—	—	—	6,135,464
NCAA Men's Basketball (MBB) tournament	—	1,225,083	—	—	—	—	1,225,083
Football Pac-12 Championship Game	980,417	—	—	—	—	—	980,417
MBB PAC-12 tournament	—	—	—	—	—	—	—
Pac-12 Network share	3,265,469	576,259	—	—	—	—	3,841,728
Other	—	—	—	—	—	2,359,217	2,359,217
Total NCAA/conference distributions	42,183,270	5,818,417	—	—	—	2,359,217	50,360,904
Royalties, advertisements, and sponsorships:							
Sponsorships	575,000	—	—	17,085	36,305	14,520,522	15,148,912
Donated advertising	—	—	—	—	—	152,500	152,500
Trademarks and licensing	—	—	—	—	—	1,401,461	1,401,461
Donated supplies	1,690,000	327,000	273,000	948,150	1,170,850	991,000	5,400,000
Total royalties, advertisements, and sponsorships	2,265,000	327,000	273,000	965,235	1,207,155	17,065,483	22,102,873
Contributions	3,744,490	277,600	198,640	1,524,480	989,050	8,778,147	15,512,407
Capital gifts	—	—	—	—	—	9,008,051	9,008,051
Gifts to permanent endowments	—	—	—	—	—	4,899,742	4,899,742
Gain on investments	—	—	—	—	—	6,230,964	6,230,964
Investment income, net	—	—	—	—	—	4,585,473	4,585,473
University funded tuition waivers	—	—	—	—	—	5,221,108	5,221,108
Concessions, souvenirs, parking, and boat moorage	3,740,261	216,780	73,745	29,709	60,234	550,298	4,671,027
Facility income	—	—	—	—	—	1,556,727	1,556,727
University support	—	—	—	—	—	4,789,000	4,789,000
Coaches contract settlement	14,462,508	—	—	1,000,000	144,972	2,790,000	18,397,480
Lease revenue	—	—	—	—	—	792,298	792,298
Lease interest income	—	—	—	—	—	552,548	552,548
Other	62,720	—	—	284,781	203,925	374,340	925,766
Total revenue	$ 119,354,690	10,248,206	1,004,290	4,108,310	3,556,378	69,553,396	207,825,270

See accompanying independent auditors' report.

Schedule 3

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Operating Expenses and Other Deductions by Specific Function

Year ended June 30, 2024

	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	$ 20,123,203	8,075,978	1,970,957	3,543,564	4,864,515	1,770,000	15,851,999	2,563,981	8,498	58,772,695
Payroll taxes and employee benefits	5,246,243	1,056,502	524,462	934,192	1,303,991	143,650	4,519,895	810,709	—	14,539,644
Athletic student aid	4,551,321	703,906	974,000	3,516,773	6,924,546	—	1,456,371	—	—	18,126,917
Guarantees paid to visiting teams	3,737,500	485,000	228,084	8,184	50,000	—	—	—	—	4,508,768
Team travel	2,040,324	1,588,737	497,583	2,372,846	2,312,858	7,582,342	423,377	—	—	16,818,067
Day of game expenses	5,790,457	492,098	297,436	384,561	601,159	—	939,054	—	2,568,179	11,072,944
Direct facilities, maintenance, and utilities	809,419	—	—	83,600	125,361	2,616	3,212,272	3,093,020	—	7,326,288
Uniforms and supplies	2,361,415	133,076	39,484	559,423	437,350	145,826	3,467,457	338,871	800	7,483,702
Donated supplies	1,690,000	327,000	273,000	948,150	1,170,850	—	991,000	—	—	5,400,000
Donated advertising	—	—	—	—	—	—	152,500	—	—	152,500
Medical expenses	25,454	4,592	24,115	20,684	45,636	—	1,875,461	—	—	1,995,942
Fundraising, marketing, and promotions	—	—	—	450	8,963	—	343,668	—	—	353,081
Recruiting	—	—	—	—	—	—	—	—	2,132,760	2,132,760
Equipment	—	—	—	—	—	—	—	8,016	—	8,016
Training table	4,216,953	361,789	295,171	309,668	429,556	52,442	484,129	—	1,147,962	7,297,670
Department relations	10,139	—	470	18,625	24,367	149,344	43,072	—	1,154,693	1,400,710
Banquets and special events	13,124	5,951	—	225,820	51,823	—	242,427	—	307,021	846,166
Depreciation	—	—	—	—	—	—	15,278,428	—	—	15,278,428
Subscription amortization	—	—	—	—	—	—	401,014	—	—	401,014
Noncapitalized equipment and repairs	—	—	—	—	—	—	—	5,622,215	—	5,622,215
Conference exit fee	—	—	—	—	—	—	6,500,000	—	—	6,500,000
Contract buyouts	6,175,000	2,898,781	—	—	—	—	832,193	—	—	9,905,974
Other	2,290,628	449,284	310,897	596,355	641,757	799,102	12,517,527	602,256	4,019,691	22,227,497
Total operating expenses	59,081,180	16,582,694	5,435,659	13,522,895	18,992,732	10,645,322	69,531,844	13,039,068	11,339,604	218,170,998
Other deductions:										
Gain on disposal of capital assets	—	—	—	—	—	—	—	(21,499)	—	(21,499)
Interest expense	—	—	—	—	—	—	10,262,797	—	—	10,262,797
Total other deductions	—	—	—	—	—	—	10,262,797	(21,499)	—	10,241,298
Total operating expenses and other deductions	$ 59,081,180	16,582,694	5,435,659	13,522,895	18,992,732	10,645,322	79,794,641	13,017,569	11,339,604	228,412,296

See accompanying independent auditors' report.

UW MEDICINE SELECT UNITS
—UW DIVISION

KPMG

UW MEDICINE SELECT UNITS – UW DIVISION

Basic Financial Statements

June 30, 2024

(With Independent Auditors' Report Thereon)

UW MEDICINE SELECT UNITS – UW DIVISION

Table of Contents

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Regents
University of Washington:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the UW Medicine Select Units – UW Division (the Group), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Group, as of June 30, 2024, and the change in financial position and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Emphasis of Matter

Reporting Entity

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 financial position, the changes in financial position, and the cash flows of only that portion of the university that is attributable to the transactions of the Group. They do not purport to and do not present fairly the financial position of the University as of June 30, 2024, the changes in its financial position, or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. 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 U.S. generally accepted accounting principles, 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.

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

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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 15 and the schedules of required supplementary information on pages 69 through 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Group's basic financial statements. The combining schedules of net position and combining schedules of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are 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 GAAS. 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 18, 2024

The following discussion and analysis provides an overview of the financial position and activities of the UW Medicine Select Units – UW Division (the Group) as of and for the year ended June 30, 2024. 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 Physicians Network dba UW Medicine Primary Care (UWM PC), The Association of University Physicians dba UW Physicians (UWP), Airlift Northwest (Airlift), and UW Medicine Shared Services (UWMSS) which supports the entire UW Medicine enterprise. UW Medicine is a learning, research, and clinical health system comprised of multiple legal entities that share the UW Medicine mission to improve the health of the public. 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), Fred Hutchinson Cancer Center (FHCC), and the University of Washington School of Medicine (the School).

Using the Financial Statements

The financial report consists of two parts: management's discussion and analysis and the basic financial statements. The Group's basic financial statements consist of three statements: statement of net position; statement of revenues, expenses, and changes in net position; and statement 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 statement of net position includes 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 statement of net position also includes information to evaluate the capital structure of the Group and assess the liquidity and financial flexibility of the organization.

The statement of revenues, expenses, and changes in net position reports 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 statement of cash flows reports 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 statement provides meaningful information on where the Group's cash was generated and what it was used for.

Financial Highlights

For the fiscal year ended 2024, the Group experienced higher admissions and lower length of stay as well as continued pressure on its operating expenses driven by inflationary increases, particularly labor costs, purchased services, and medical supplies. Additionally, substantial nonoperating revenues impacted the Group's performance, many of which are nonrecurring. Specifically, $69 million of nonrecurring revenue was recognized from the Federal Emergency Management Agency (FEMA) for reimbursement of qualifying expenses incurred in fiscal years 2022 and 2023, due to the national emergency declaration made as a result of the Coronavirus (COVID-19) pandemic and $99 million was received for non-recurring state appropriations, which are specifically designated by the State for the training of future healthcare professionals, to upgrade the skills of current practitioners, and other hospital needs. Additionally, in fiscal year 2024, UW Medical Center recorded $53 million in financial alignment income as a result of the clinical and financially integrated adult oncology program operated by the separately licensed and operated hospitals, FHCC and UW Medical Center.

(Dollar amounts in millions)

Further, the actuarial adjustments for pension and other postretirement obligations have caused unpredictable large swings in the Group's operating expenses over the past several years. The chart below shows the income before capital appropriations and other, adjusted for pension and other postretirement obligations as if they were recorded on a cash basis, rather than an accrual basis. No other noncash items were adjusted from income for purposes of this adjusted income calculation. On this basis, for the years ended June 30, 2024 and 2023, the Group's total income before capital appropriations and other was $172 million and $51 million, respectively.

		2024	2023
Income before capital appropriations and other	$	289	136
Adjustment for net pension and other postemployment benefit actuarial and assumption changes		(117)	(85)
Adjusted income before capital appropriations and other	$	172	51

Results of Operations

The Group reported income from operations of $80 million and an increase in net position of $325 million for the year ended June 30, 2024 compared to a loss from operations of $42 million and an increase in net position of $268 million for the year ended June 30, 2023. The increase in income from operations in fiscal year 2024 was attributed to a $115 million noncash reduction in operating expenses as a result of adjustments related to actuarial and assumption changes to pension and other postretirement obligations, which offset increased operating expenses. Nonoperating revenues, including state appropriations, FHCC financial alignment income and FEMA funding also drove the increase in net position in fiscal year 2024. Additionally, lower capital appropriations were received for the Center for Behavioral Health and Learning on UW Medical Center's Northwest campus, as the project was near completion, thus construction costs were lower.

(Dollar amounts in millions)

Statement of Revenues, Expenses, and Changes in Net Position

The table below is a presentation of certain condensed financial information derived from the Group's statement of revenues, expenses, and changes in net position as of June 30, 2024 and 2023:

		2024	2023
Operating revenues:			
Net patient service revenues	$	2,393	2,085
UWP billing revenues, net		471	419
Other revenue		418	400
Total operating revenues		3,282	2,904
Operating expenses:			
Salaries, wages, and benefits		1,651	1,530
Other		1,551	1,416
Total operating expenses		3,202	2,946
Income (loss) from operations		80	(42)
Nonoperating revenues (expenses):			
Investment income, net		3	1
Interest expense		(36)	(33)
FHCC financial alignment income		53	87
FEMA public assistance program		69	43
Recurring state appropriations		8	7
Non-recurring state appropriations		99	62
Other, net		13	11
Nonoperating revenues, net		209	178
Income before capital appropriations and other		289	136
Capital appropriations and other		36	132
Increase in net position		325	268
Net position, beginning of year		822	554
Net position, end of year	$	1,147	822

(Dollar amounts in millions)

The following chart represents key statistics of the Group for June 30, 2024 and 2023:

		2024	2023
Licensed beds[1]	$	910	810
Admissions		30,119	29,001
Average length of stay		7.18	7.25
Case mix index (CMI)		2.18	2.22
Surgery cases		30,428	29,770
Emeregency room visits		72,397	69,933
Ambulatory visits[2]		820,836	856,246
Full-time equivalents (FTEs)		9,648	9,322

[1] The licensed bed count increased in fiscal year 2024 due to 100 new psychiatry beds for the Center for Behavioral Health and Learning Center at UW Medical Center's Northwest campus.

[2] Ambulatory visits in 2024 were impacted by the end of the Public Health Emergency in May 2023, which made it no longer possible to bill or collect facility fees for telehealth visits.

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 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 accounts receivable due from patients 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 statement 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.

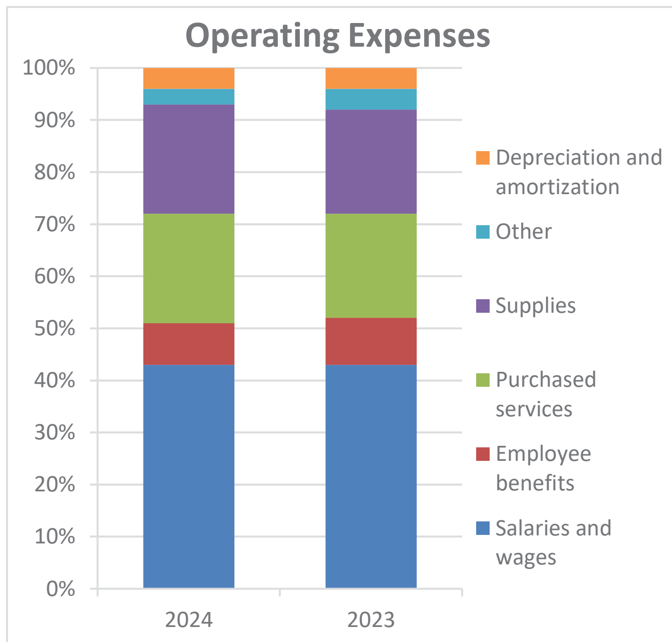
For the years ended June 30, 2024 and 2023, the Group's total operating revenues were $3,282 million and $2,904 million, which was comprised of $2,393 million and $2,085 million in net patient service revenues, $471 million and $419 million in UWP billing revenues, net, and $418 million and $400 million in other revenue, respectively.

The increase in operating revenues between fiscal years 2023 and 2024 of 13.0% was driven by a 14.8% increase in net patient service revenues as a result of higher admissions, increased volumes, including both inpatient and outpatient surgeries, and other rate increases, including the outpatient directed payment program

(ODPP) and inpatient directed payment program (IDPP), new programs managed by the Washington State Health Care Authority effective January 1, 2023 and January 1, 2024, respectively. There was a 12.4% increase in UWP billing revenues, net due to strong volumes and a 4.5% increase in other revenue, due to contract pharmacy revenue.

Operating Expenses

Operating expenses were $3,202 million for fiscal year 2024 compared to $2,946 million for fiscal year 2023. The composition of fiscal years 2024 and 2023 operating expenses is illustrated in the chart to the right.



Salaries and wages expense increased $114 million from $1,271 million in fiscal year 2023 to $1,385 million in fiscal year 2024. The increase in salaries and wages in the current year is primarily attributed to an increase in permanent staff hiring, with increased negotiated rates with union contracts. UW Medicine reached historic agreements with its four largest labor union partners in fiscal year 2023, which included incremental pay increases that were the largest UW Medicine had ever negotiated. The pay increases have remained in effect during fiscal year 2024. Contract labor expense decreased significantly from fiscal year 2023.

Employee benefits expense increased $7 million from $259 million in fiscal year 2023 to $266 million in fiscal year 2024. The Group's employee benefits expense increased as a result of additional FTEs and salary increases. However, employee benefits expense was offset by the noncash actuarial and assumption changes to pension and other postretirement obligations, which was a $117 million decrease compared to a $81 million decrease in fiscal year 2023.

Purchased services expense, consisting of professional fees, consulting fees, and clinical department funding, increased $62 million from $594 million in fiscal year 2023 to $656 million in fiscal year 2024. The increase in purchased services expense is due to an increase in the School clinical department funding, representing fees paid to the physicians providing services to the Group but not employed by the Group, an increase in contract pharmacy fees, expenses for FHCC services, and resident and intern salary expenses.

Supplies expense includes medical and surgical, pharmaceutical, and nonmedical supplies. In total, these expenses increased $60 million from $593 million in fiscal year 2023 to $653 million in fiscal year 2024. Supplies expense was driven by an increase in medical supplies associated with an increase in pharmaceuticals, organ, bone marrow and blood expenses, and surgical supplies driven by volumes.

(Dollar amounts in millions)

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) consist primarily of investment income, interest expense, intergovernmental transfer expense, FHCC financial alignment income, funding from and to other UW Medicine entities as well as the state of Washington, state appropriations, and FEMA funding. Net nonoperating revenues increased $31 million from $178 million in fiscal year 2023 to $209 million in fiscal year 2024. Net nonoperating revenues were driven by a $26 million increase in FEMA public assistance funding as a result of obligated projects and higher state appropriations in fiscal year 2024 due to an additional $37 million non-recurring state appropriation that was awarded to UW Medical Center. These increases were offset by a decrease in the FHCC financial alignment income of $34 million from $87 million in fiscal year 2023 to $53 million in fiscal year 2024.

Financial Analysis

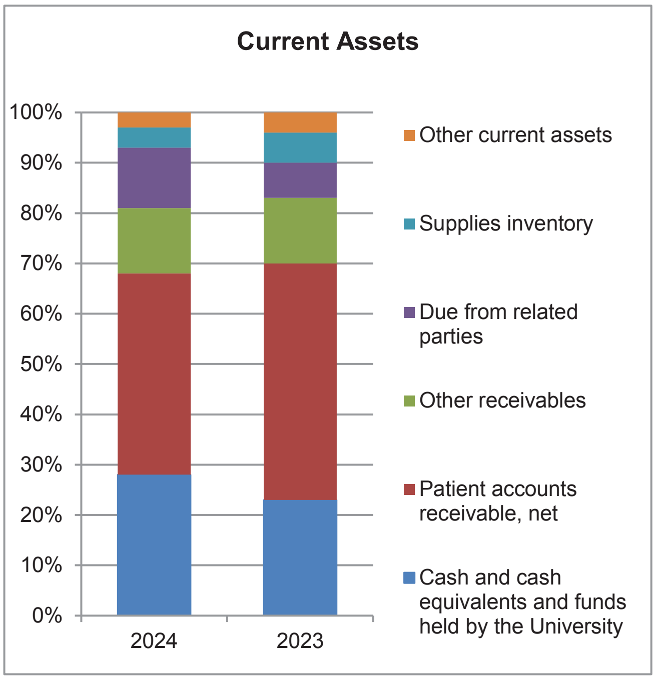
Statement of Net Position

The table below is a presentation of certain condensed financial information derived from the Group's statement of net position as of June 30, 2024 and 2023:

		2024	2023
Assets:			
Current assets	$	884	650
Noncurrent assets:			
Capital assets and right-to-use lease and subscription assets, net of accumulated amortization		1,212	1,196
Other noncurrent assets		1,337	1,139
Total assets		3,433	2,985
Deferred outflows of resources		416	438
Total assets and deferred outflows of resources	$	3,849	3,423
Liabilities:			
Current liabilities	$	901	653
Noncurrent liabilities:		1,392	1,425
Total liabilities		2,293	2,078
Deferred inflows of resources		409	523
Net position		1,147	822
Total liabilities, deferred inflows of resources, and net position	$	3,849	3,423

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.

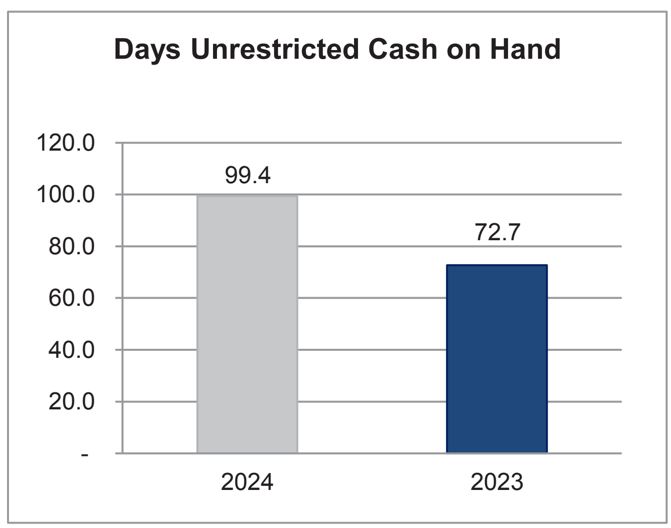


Total current assets were $884 million and $650 million at June 30, 2024 and 2023, respectively. The increase of $234 million between fiscal years 2024 and 2023 is primarily due to an increase in cash and cash equivalents and funds held by the University of Washington. The reason for the increase is due to the timing of payments made to the University and the School. In addition, increases in patient accounts receivable and other receivables was driven by volumes and the directed payment programs.

Fiscal years 2024 and 2023 composition of current assets is illustrated in the chart to the left.

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 $96 million from $150 million at June 30, 2023 to $246 million at June 30, 2024.

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 2024 and 2023 are illustrated in the chart to the right.



The Group's total days unrestricted cash on hand increased 26.7 days from 72.7 days at June 30, 2023 to 99.4 days at June 30, 2024. The increase is primarily due to the timing of payments made to the University and the School, and an increase in investments due to positive portfolio performance.

Net patient accounts receivable were $354 million as of June 30, 2024 compared to $306 million as of June 30, 2023, an increase of $48 million. The increase is primarily a result of the timing of payer cash collections and an increase in net patient service revenues.

Other receivables consist of amounts due from external parties for services. Other receivables increased $37 million from $81 million at June 30, 2023 to $118 million at June 30, 2024. The increase in fiscal year 2024 is primarily due to the change in the estimated receivable for the directed payment programs of $52 million.

Due from related parties consists of amounts due for services provided to Harborview, VMC, FHCC, the University, and the School. Due from related parties increased $55 million from $48 million at June 30, 2023 to $103 million at June 30, 2024. Changes in due from related parties primarily relate to the timing of payments between the Group, Harborview, and the School. As of June 30, 2024, there was a $40 million receivable from the University, mostly comprising of state appropriations, interest income, and ILP funding draws. In addition, the Group has amounts due from FHCC related to the Adult Inpatient Services Agreement (AISA).

Noncurrent Assets

Noncurrent assets consist of capital assets and right-to-use lease and subscription IT assets, net of accumulated depreciation and amortization, funds held by the University of Washington, donor restricted assets, investments, investment in FHCC, net pension assets, and other assets. Total noncurrent assets were $2,549 million and $2,335 million at June 30, 2024 and 2023, respectively, representing an increase of $214 million. This increase is primarily attributed to funds held by the University, investments, capital assets, net of accumulated depreciation and amortization, offset by a decrease in right-to-use lease and subscription IT assets, net of accumulated amortization.

Capital assets, net of accumulated depreciation and amortization increased $43 million during fiscal year 2024 from $942 million at June 30, 2023 to $985 million at June 30, 2024. In fiscal year 2024, the increase was driven by the completion of the Center for Behavioral Health and Learning on UW Medical Center Northwest Campus and moderate other capital spending.

Additional discussion regarding capital asset activity, including capital commitments, during fiscal year 2024 can be found in the notes to the financial statements.

Right-to-use lease and subscription information technology (IT) assets, net of accumulated amortization decreased $27 million in fiscal year 2024 from $254 million at June 30, 2023 to $227 million at June 30, 2024. The decrease is primarily driven by an increase in accumulated amortization as a result of leases continuing through their contract term and being amortized at a higher rate than new leases being added. The decrease is offset by an increase in new subscription based IT assets.

Additional discussion regarding lease and subscription IT activity during the fiscal year 2024 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 2024 and 2023, the University allocated a rate of return of 0.75% on a portion of the Group's invested assets. Noncurrent funds held by the University increased $104 million in fiscal year 2024 from $245 million at June 30, 2023 to $349 million at June 30, 2024 driven by cash received from operations and nonoperating revenues including FEMA public assistance funding.

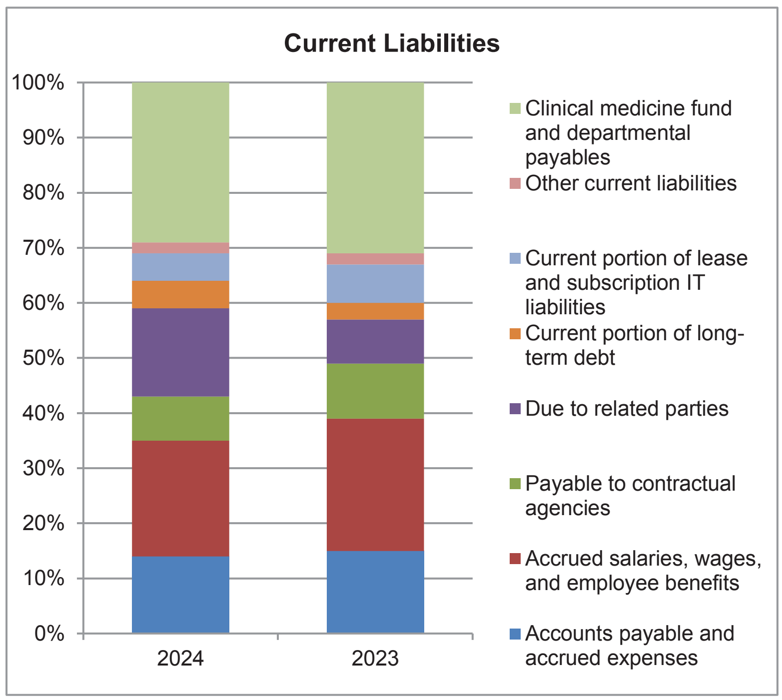
Investments represent investments held for the benefit of the School. Investments increased $74 million from $174 million at June 30, 2023 to $248 million at June 30, 2024. The increase in investments was a result of positive investment portfolio performance, the transferring of cash to the investments, and the timing of payments made to the School.

Current Liabilities

Current liabilities consist of accounts payable and other accrued liabilities that are expected to be paid within a year or are payable on demand. Total current liabilities were $901 million and $653 million at June 30, 2024 and 2023, respectively. Fiscal years 2024 and 2023 composition of current liabilities is illustrated in the chart below. This increase is primarily attributed to an increase in due to related parties and the clinical medicine fund and departmental payables.

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 $89 million from $53 million at June 30, 2023 to $142 million at June 30, 2024. The increase in fiscal year 2024 is primarily due to the timing of payments made to the University and the School.

Clinical medicine fund and departmental payables consist of receipts collected by UWP that are allocated and distributed to the clinical medicine fund and departmental payables for the benefit of the School. The payable increased $64 million from $202 million at June 30, 2023 to $266 million at June 30, 2024. In fiscal year 2024, the increase in the payables was driven by greater investment income and the timing of payments made to the School.



Noncurrent Liabilities

Noncurrent liabilities consist primarily of the noncurrent portion of long-term debt, long-term lease and subscription IT liabilities, net pension liabilities, other postemployment benefits (OPEB) liabilities, and other noncurrent liabilities. Noncurrent liabilities decreased $33 million from $1,425 million at June 30, 2023 to $1,392 million at June 30, 2024 as a result of an increase in OPEB liabilities and long-term debt, net of current portion, offset by a decrease in net pension liabilities and long term lease and subscription IT liabilities.

Long-term debt, including current portion, increased $38 million from $642 million at June 30, 2023 to $680 million at June 30, 2024. In fiscal year 2024, the Group had additional borrowings for capital projects and was not required to pay principal payments on certain ILP debt. In fiscal year 2025, the Group will begin making principal payments on all ILP debt.

Additional discussion regarding long-term debt activity during the fiscal year 2024 can be found in the notes to the financial statements.

Long-term lease and subscription IT liabilities, including current portion, decreased $25 million from $269 million at June 30, 2023 to $244 million at June 30, 2024. The decrease in fiscal year 2024 is primarily driven by a decrease in long term liabilities due to leases expiring in less than a year.

Additional discussion regarding lease and subscription IT activity during the fiscal year 2024 can be found in the notes to the financial statements.

Net Position

Unrestricted net position increased $335 million from $393 million at June 30, 2023 to $728 million at June 30, 2024. The increase in unrestricted net position in fiscal year 2024 was driven by positive net income, primarily attributed to post-retirement obligation actuarial adjustments and positive income before capital appropriations, as a result of higher nonoperating revenues. This was offset by a decrease in capital appropriations for the Center of Behavioral Health and Learning received from the state during fiscal year 2024. The project was at the final stages of completion, thus reimbursements were lower.

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 assets and liabilities, OPEB liabilities, and the respective deferred outflows and inflows of resources are determined by actuarial reports.

In fiscal year 2024, net pension liabilities had a decrease of $19 million and net pension assets had an increase of $19 million, which was driven by an increase in investment earnings. There was no change in the SRP net pension liability. OPEB liabilities increased $12 million reflecting the impact of a higher service costs and interest assumed in the actuarial valuation.

Additional discussion regarding pension assets and 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 millions)

The Group has recognized its proportionate share of the University's actuarially determined net 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 assets, liabilities, expense, and funding contributions to the University associated with postemployment obligations as of June 30, 2024 and 2023:

		2024	2023
Pension liabilities	$	103	122
Pension assets		204	185
Pension (income) expense		(21)	(11)
Pension funding contribution to the University		81	69
OPEB liability	$	322	310
OPEB (income) expense		(7)	5
OPEB funding contribution to the University		8	8

Factors Affecting the Future

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the Group and UW Medicine, including written or oral statements made by its representatives, may contain forward-looking statements. All statements, other than statement of historical facts, which address activities, events, or developments that the Group 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 Group 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.

Economic Uncertainty Facing the Healthcare Industry

The healthcare industry, in general, is experiencing higher demand for labor, volatility, and uncertainty in the labor market, which has impacted the Group's ability to attract and retain labor and manage operating cost increases associated with the higher labor costs. It is difficult to predict the full impact of the labor market on the Group's future expenses and operations.

Cyberattacks, privacy/security threats, and data breaches are becoming increasingly more common and have the potential to impact the Group's patients and its financial position. In addition, hospitals must adapt to new and changing healthcare regulations and must manage their relationships with the government and government directed programs. The Group receives cash from government programs and, depending on timing, there could be an impact to their revenue and cash flow.

The federal COVID-19 Public Health Emergency declaration under the Public Health Service Act expired on May 11, 2023. The broad economic factors resulting from coming out of the COVID-19 pandemic continue to impact the Group's patient volumes, case mix acuity, service mix, and revenue mix. Ongoing economic conditions, such as significant labor market wage and benefit pressure, supply chain, and other inflationary pressures have also increased, and will continue to increase the Group's expenses and pressure hospital liquidity. Because of these factors, management cannot estimate the severity of the aforementioned general economic and marketplace conditions on the Group's business.

Reimbursement for patient services from federal, state, and private insurance payors continues to be a concern as healthcare costs continue to rise. There is continued downward pressure on average realized payment rates from commercial payor plans and a reduction in the number or percentage of the Group's patients under such plans. The Group participates in the 340B Drug Pricing Program, which is a federal program that requires drug manufacturers provide outpatient drugs to eligible healthcare organizations and covered entities at significantly reduced prices. In the past several years, a number of drug manufacturers have reduced the benefits to covered entities through the elimination of access to certain 340B priced drugs in contract pharmacy settings. This had led to legal action at the federal level in an attempt to reinstate previous savings. Split decisions in different courts have merely added to uncertainty related to the financial impact of the 340B program in the future. In addition, a major drug manufacturer has announced that this program will shift from an upfront discount to a rebate model despite being in opposition to the 340B basic tenets. The Group is likely to see higher costs in its non-contract pharmacy lines of business before being able to seek relief. As with the challenges to contract pharmacy, other drug manufacturers are likely to follow the example with limited enforcement action expected by Health Resources and Services Administration (HRSA). Due to these uncertainties, management cannot predict the impact on the Group's future revenues and operations.

However, the Group believes that its ultimate success in increasing profitability depends in part on its success in executing on its strategies. In general, these strategies are intended to improve financial performance through the reduction of costs and in streamlining how the Group provides 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.

UW Medical Center for Behavioral Health and Learning

Construction of the new $244 million Center for Behavioral Health and Learning on the UW Medical Center Northwest campus, planned and funded in partnership with the State to provide critically needed mental health services for all Washington residents, opened in April 2024. Our new space is specifically designed to provide high-quality behavioral health education and training alongside clinical care. Beginning in fiscal year 2025, the Group will host a variety of new and existing behavioral health education and training programs and offer them all under one roof — making the Center a destination for people pursuing careers in behavioral health.

UW MEDICINE SELECT UNITS – UW DIVISION

Statement of Net Position

June 30, 2024

(Dollar amounts in thousands)

Assets

Current assets:		
Cash and cash equivalents	$	90,398
Funds held by the University of Washington		156,061
Patient accounts receivable, less allowance for uncollectible accounts of $27,864 in 2024		354,263
Other receivables		117,939
Due from related parties		103,321
Supplies inventory		38,843
Other current assets		22,769
Total current assets		883,594
Noncurrent assets:		
Capital assets, net of accumulated depreciation and amortization		984,514
Right-to-use lease and subscription IT assets, net of accumulated amortization		226,620
Funds held by the University of Washington		348,813
Investments		247,876
Donor restricted assets		14,677
Investment in Fred Hutchinson Cancer Center		428,827
Other assets		94,515
Net pension assets		203,503
Total noncurrent assets		2,549,345
Total assets		3,432,939
Deferred outflows of resources:		
Deferred outflows of resources related to pensions		239,222
Deferred outflows of resources related to other postemployment benefits		173,260
Other deferred outflows of resources		3,110
Total assets and deferred outflows of resources	$	3,848,531

(Continued)

UW MEDICINE SELECT UNITS – UW DIVISION

Statement of Net Position

June 30, 2024

(Dollar amounts in thousands)

Liabilities and Net Position

Current liabilities:		
Accounts payable and accrued expenses	$	126,495
Accrued salaries, wages, and employee benefits		190,581
Payable to contractual agencies		70,618
Due to related parties		141,859
Current portion of long-term debt		47,144
Current portion of lease and subscription IT liabilities		42,919
Other current liabilities		15,068
Clinical medicine fund and departmental payables		265,866
Total current liabilities		900,550
Noncurrent liabilities:		
Long-term debt, net of current portion		632,568
Long-term lease and subscription IT liabilities, net of current portion		201,354
Net pension liabilities		103,193
Other postemployment benefits		321,541
Due to related parties – long-term		109,565
Other noncurrent liabilities		24,009
Total liabilities		2,292,780
Deferred inflows of resources:		
Deferred inflows of resources related to pensions		148,889
Deferred inflows of resources related to other postemployment benefits		222,937
Other deferred inflows of resources		37,145
Total liabilities and deferred inflows of resources		2,701,751
Net position:		
Net investment in capital assets		403,663
Nonexpendable, restricted		3,214
Expendable, restricted		11,522
Unrestricted		728,381
Total net position		1,146,780
Total liabilities, deferred inflows of resources, and net position	$	3,848,531

See accompanying notes to basic financial statements.

UW MEDICINE SELECT UNITS – UW DIVISION

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2024

(Dollar amounts in thousands)

Operating revenues:		
Net patient service revenues (net of provision for uncollectible accounts of $33,480 in 2024)	$	2,392,828
UWP billing revenues, net		470,964
Other revenue		418,558
Total operating revenues		3,282,350
Operating expenses:		
Salaries and wages		1,385,131
Employee benefits		265,703
Purchased services		655,542
Supplies		653,228
Other		109,638
Depreciation and amortization		133,557
Total operating expenses		3,202,799
Income from operations		79,551
Nonoperating revenues (expenses):		
Investment income		3,345
Interest expense		(36,238)
Funding to affiliates		(110,482)
Funding from affiliates		114,073
Recurring state appropriations		8,187
Non-recurring state appropriations		99,369
Fred Hutchinson Cancer Center financial alignment income		52,787
Federal Emergency Management Agency public assistance program		68,591
Other, net		9,289
Nonoperating revenues, net		208,921
Income before capital appropriations and other		288,472
Capital appropriations and other		35,609
Increase in net position		324,081
Net position – beginning of year		822,699
Net position – end of year	$	1,146,780

See accompanying notes to basic financial statements.

UW MEDICINE SELECT UNITS – UW DIVISION

Statement of Cash Flows

Year ended June 30, 2024

(Dollar amounts in thousands)

Cash flows from operating activities:		
Cash received for patient care	$	2,299,002
Cash received for UWP billing revenues		447,038
Cash received for other services		386,812
Cash paid to employees		(1,733,477)
Cash paid to suppliers and others		(1,297,402)
Net cash provided by operating activities		101,973
Cash flows from noncapital financing activities:		
Funding to affiliates		(110,724)
Funding from affiliates		114,073
Change in due to/from related parties		(9)
Cash received for Federal Emergency Management Agency public assistance program		57,364
Additions to clinical medicine fund and departmental payables		64,132
Principal and interest payments on Fred Hutchinson Cancer Center note payable		(22,626)
Cash received for state appropriations		95,813
Other, net		5,603
Net cash provided by noncapital financing activities		203,626
Cash flows from capital and related financing activities:		
Purchases of capital assets		(137,175)
Principal payments on long-term debt		(6,771)
Proceeds from borrowings		59,610
Interest payments on long-term debt		(21,008)
Cash paid for principal and interest on leases and subscription IT arrangements		(54,608)
Capital appropriations		30,539
Other		4,628
Net cash used in capital and related financing activities		(124,785)
Cash flows from investing activities:		
Proceeds from sale of investments		42,125
Purchases of investments		(101,952)
Change in funds held by the University and donor restricted assets		(106,173)
Investment income		12,835
Fred Hutchinson Cancer Center Financial Alignment Income		70,611
Other		(1,419)
Net cash used in investing activities		(83,973)
Increase in cash and cash equivalents		96,841
Cash and cash equivalents, beginning of year		149,618
Cash and cash equivalents, end of year	$	246,459

UW MEDICINE SELECT UNITS – UW DIVISION

Statement of Cash Flows

Year ended June 30, 2024

(Dollar amounts in thousands)

Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$	79,551
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization		133,557
Provision for uncollectible accounts		33,480
UWP Investment income		(23,926)
Net (decrease) increase in operating activities:		
Patient accounts receivable		(82,072)
Other receivables		(37,822)
Due from related parties		(45,957)
Supplies inventory, other current assets, and other assets		2,349
Pension related deferred inflows, deferred outflows, net pension asset and net pension liability		(97,633)
OPEB related deferred inflows, deferred outflows, and OPEB liability		(15,515)
Accounts payable and accrued expenses		35,508
Accrued salaries, wages, and employee benefits		26,153
Due to related parties		83,681
Payable to contractual agencies and other current liabilities		7,650
Physician distribution payable		4,352
Noncurrent liabilities		(1,383)
Net cash provided by operating activities	$	101,973
Supplemental disclosures of noncash capital and related financing activities:		
Change in capital assets included in accounts payable	$	(5,782)
Decrease in capital assets included in noncurrent liabilities		(4,746)
Additions to right-to-use lease and subscription IT assets		(23,237)
Additions to lease and subscription IT liabilities		24,177
Supplemental disclosures of noncash investing activities:		
Net unrealized gains on investments		12,171

See accompanying notes to basic financial statements.

(1) Organization and Operations

The UW Medicine Select Units – 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 Physicians Network dba UW Medicine Primary Care (UWM PC), The Association of University Physicians dba UW Physicians (UWP), Airlift Northwest (Airlift), and UW Medicine Shared Services (UWMSS).

UW Medicine is a learning, research, and clinical health system comprised of multiple legal entities that share the UW Medicine mission to improve the health of the public. UW Medicine is governed and administered as an enterprise fund of the University. UW Medicine also strives to facilitate the education of physicians and other healthcare providers, support research activities in collaboration with the University School of Medicine (the School) and render other services designed to achieve the “Quadruple Aim,” which is to improve the patient experience, achieve better health outcomes, control costs, and address clinician satisfaction.

The University of Washington is governed by an 11-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. 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), UWM PC, UWP, the School, Fred Hutchinson Cancer Center (FHCC), and Airlift.

Harborview, a component unit of King County, Washington and a related party to the University, and 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.

FHCC, a Washington nonprofit corporation, 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 two-campus hospital and a division of the University. The Montlake campus is a 529-licensed-bed hospital and is the main campus. The Northwest campus is a 381-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.

UWP

UWP, a Washington not-for-profit corporation and component unit of the University, was formed for the exclusive benefit of the School and its programs. 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(s).

Airlift

Airlift is a department of the University. Airlift provides rapid emergency air transport services through fourteen leased aircraft to critically ill or injured patients throughout Washington, Alaska, Montana, and Idaho.

UWM PC

UWM PC is a Washington not-for-profit corporation and component unit of the University. UWM PC was established for the benefit of the School, UWP, and its affiliated medical centers, exclusively for clinical, scientific, and educational purposes. UWM PC was 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.

UWMSS

UWMSS comprises a number of departments 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 June 2018, the Board of Regents authorized the University, through UW Medicine, to become an equity member in a limited liability company. PNW CIN, LLC dba Embright was established in 2019 and is jointly owned by UW Medicine, MultiCare Health System, and Lifepoint Health. As a clinically integrated network in the Pacific Northwest founded by healthcare provider organizations, Embright enables the members to partner together to further the Triple Aim of improving the health (quality) and experience of populations while reducing costs. The Embright network includes 21 hospitals, more than 8,500 providers, and over 1,500 clinics. 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. UW Medicine has an equity ownership interest of 48.2% in Embright at June 30, 2024, which is $2.5 million and recorded within other assets in the statement of net position.

(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 Governmental 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.

(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, 2024, approximately $90,273 was held in cash and $125 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 2024, the rate returned was 0.75%, representing $3,345 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 statement of cash flows.

(Dollar amounts in thousands)

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, 2024:

Cash and cash equivalents	2.1 %
U.S. treasury and agencies securities	60.4
Mortgage-related securities	5.4
Asset-backed debt securities	18.7
Other fixed income securities	13.4
Total	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 on an average cost basis.

(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 or amortization is removed from the accounts, and any resulting gain or loss is recorded in other nonoperating expense in the statement of revenues, expenses, and changes in net position.

Depreciation and amortization 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 75 years for buildings, renovations, and furnishings, 5 to 25 years for fixed equipment, and 3 to 20 years for movable equipment and intangible assets.

(i) Collaboration Agreement with Fred Hutchinson Cancer Center

On March 31, 2022, the members in Seattle Cancer Care Alliance (SCCA): UW Medical Center, Fred Hutchinson Cancer Research Center (Fred Hutch), and Seattle Children's Healthcare System (SCHS) agreed to merge Fred Hutch and SCCA, for SCCA to become a non-member non-profit Washington corporation, and for SCCA to be renamed Fred Hutchinson Cancer Center. As part of the transaction, SCHS's interest of $285,884 was purchased by UW Medical Center and Fred Hutch with funding provided by Fred Hutch. SCHS no longer participates in the Adult Oncology Program but continues to offer pediatric cancer care services coordinated through separate affiliation agreements with FHCC and UW Medicine. UW Medical Center entered into a promissory note to pay FHCC over a 10 year period for its 50% portion of SCHS membership in SCCA. See note 8(a)(ii) for discussion surrounding the FHCC promissory note.

The non-participating investment in FHCC of $428,827, which is recorded within the statement of net position, reflects a non-monetary exchange accounted for based on the fair value of the assets involved. Specifically, the Group used the fair value of the existing equity method investment in FHCC, based on the corresponding equity interest after the buyout of SCHS and prior to the exchange, to determine the value at which the investment in FHCC is recorded. The fair value method used inputs that are "unobservable data points" related to valuation, also known as level 3 inputs. This fair value will not be remeasured and will be assessed for impairment on an annual basis. No gain or loss was recorded on the transaction. At June 30, 2024, there was no impairment of the investment in FHCC.

UW Medical Center and FHCC agreed to the Restructuring and Enhanced Collaboration Agreement (Collaboration Agreement), which clinically and financially integrated the adult cancer program between both entities. With this new arrangement, UW Medical Center no longer holds a membership interest in SCCA. The Collaboration Agreement includes a Financial Alignment Plan (FAP), under which both parties share in the objectives of the adult oncology program and drive site neutrality for cancer services for the betterment of patient outcomes, and provides for a perpetual flow of funds between FHCC and UW Medical Center to support the integrated cancer program. At June 30, 2024, UW Medical Center accrued $52,787 in financial alignment income, which is recorded within Fred Hutchinson Cancer Center financial alignment income, in the statement of revenues, expenses, and changes in net position. UW Medicine and FHCC will determine the final settlement of the annual FAP calculations 180 days after fiscal year end.

(j) Leases and Subscription Information Technology (IT) Arrangements

(i) Leases (Lessee) and Subscription-Based IT Arrangements

The Group enters into noncancellable leases primarily for buildings and equipment. The Group also enters into noncancellable subscription IT arrangements for the right-to-use IT hardware and software. For leases and subscription IT arrangements with a maximum possible term of 12 months or less at commencement, the Group recognizes expense based on the terms of the contract. For all other leases and subscription IT arrangements, the Group recognizes a liability, which is recorded within current portion of lease and subscription IT liabilities and long-term lease and subscription IT liabilities in the statement of net position and a right-to-use lease or subscription IT asset, net of accumulated amortization at the present value of payments expected to be made throughout the contract term. The Group uses its incremental borrowing rate based on information available at the commencement date of the lease to determine the present value of payments. Variable payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease and subscription IT arrangement and are expensed as incurred.

Subsequently, the liability is reduced by the principal portion of payments made. Interest expense is recognized ratably over the contract term. The right-to-use lease and subscription IT assets are initially measured as the initial amount of the liability, plus payments made at or before the contract commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any incentives received at or before the contract commencement date. Subsequently, the right-to-use lease and subscription IT assets are amortized on a straight-line basis over the shorter of the contract term or the useful life of the underlying asset, which is recorded within depreciation and amortization in the statement of revenues, expenses, and changes in net position.

Some lease and subscription IT arrangement contracts include one or more renewal options which are at the Group's discretion, and if it is reasonably certain that the renewal options will be exercised by the Group, the renewal options' payments and term are included in the Group's measurement of the lease or subscription liability and right-to-use lease or subscription assets.

(ii) Leases (Lessor)

The Group leases building space on its campus to external vendors for medical office and clinic space. For leases with terms greater than 12 months, the Group recognizes a lease receivable and deferred inflows of resources at the present value of payments expected to be received during the lease term using the Group's incremental borrowing rate. The current portion of the lease receivable is recorded within other current assets and the long-term lease receivable is recorded within other assets in the statement of net position.

Subsequently, the lease receivable is reduced by the lease payments received and the discount on the lease receivable is amortized through recognition of interest income, which is recorded in other, net in the statement of revenues, expenses, and changes in net position. The deferred inflow of resources are recognized over the lease term in subsequent periods as lease revenue, which is recorded in other revenue in the statement of revenues, expenses, and changes in net position.

(k) UW Medicine IT Services

Harborview and FHCC provide advance funding to ITS, which entitles Harborview and FHCC access to the enterprise-wide IT software and services. ITS records the funding as unearned revenue. At June 30, 2024, $8,600 is recorded in other current liabilities and $13,573 is recorded in other noncurrent liabilities in the statement of net position, 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, 2024, ITS has recorded a noncurrent receivable from Harborview within other assets in the statement of net position of $19,240 related to this project. Harborview made its first payment to ITS on August 1, 2021, with the remaining amounts paid over twelve years.

FHCC paid for operating and capital costs of the Destination: One project, which totaled $26,388. FHCC paid for all costs during the project and ITS has unearned revenue representing FHCC's future use of the asset. At June 30, 2024, $9,385 of total unearned revenue is recorded within other current liabilities and other noncurrent liabilities in the statement of net position for FHCC's portion of the project.

(l) 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, 2024 is $94,367. Compensated absences are reported within the accrued salaries, wages, and employee benefits in the statement of net position.

(m) Benefit Costs

Benefit costs are pooled centrally for all University employees, which, for the Group, includes University employees deployed at UW Medical Center, Airlift, UWMSS, and UWM PC. 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.

(n) Pension and Postretirement Obligations

The Washington State Public Employees' Retirement System Pension Plan is a cost sharing pension plan. The net pension (asset) liability is measured as the Group's proportionate share of the collective total pension (asset) liability, less the fiduciary net position. The total pension (asset) 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 statement 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 (asset) 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, 2024 reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. The UWSRP liability as of June 30, 2024 represents the total pension liability less the plan's fiduciary net position. 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 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 UWSRP liability is June 30 of the prior fiscal year.

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.

(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 statement of net position.

(p) Classification of Revenues and Expenses

The Group's statement 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, Federal Emergency Management Agency Public Assistance Program funding, FHCC financial alignment income, 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 notes 3(a), 3(c), and 3(d) for discussion surrounding the Medicaid CPE and Directed Payment Programs.

(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.

(Dollar amounts in thousands)

(iv) Exchange (HIX)

The 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 $93,679 for the year ended June 30, 2024. 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 year ended June 30, 2024 was $30,478.

(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. CMF is the fund established by the UW Medicine Chief Executive Officer for the benefit of the School to support the education, research, and other institutional needs of the School.

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, 2024, and are not reflected in the statement of net position:

Accounts receivable	$	183,864
Estimated allowances for discounts, contractual adjustments, and collection losses		(122,818)
	$	61,046

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.

(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:

		2024
Net billings processed on behalf of the School:		
Professional fee revenue, net	$	623,127
Billing reimbursement		1,133
		624,260
Investment income		23,926
Total net billings processed and investment income		648,186
Less:		
Amounts paid or due to affiliates		(5,526)
Amounts paid or due to Clinical Medicine Fund and departments		(171,696)
UWP billing revenues, net	$	470,964

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 CMF and departmental payables are recorded within clinical medicine fund and department payables in the statement of net position.

(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 and right-to-use lease and subscription IT assets, net of accumulated amortization, reduced by outstanding borrowings used to finance the purchase construction of those assets and lease and subscription IT liabilities. 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, 2024.

UWP and UWM PC 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, 2024.

(w) Recently Adopted and Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*," which was effective for the fiscal year ending June 30, 2024. This statement is intended to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It defines changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances in the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Group adopted this statement in fiscal year 2024 and determined it did not have a material impact to the financial statements.

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*," which is effective for the fiscal year ending June 30, 2025. This statement will update the recognition and measurement guidance for compensated absences. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The statement amends the existing disclosure requirements to allow governments to disclose only the net change in the liability as long as they identify it as a net change. The Group is currently analyzing the impact of this statement.

(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 2024, net patient service revenues increased $10,088 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 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, 2024 was as follows:

	2024	
	Patient service charges	Accounts receivable
Medicare	38 %	32 %
Medicaid	15	15
Commercial and other	44	49
Exchange (HIX)	2	2
Self-pay	1	2
Total	100 %	100 %

(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 $22,425 in claims payments under this program for the year ended June 30, 2024.

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. Funding received through the directed payment programs, described in footnote 3(c) and 3(d), reduced DSH payments under this section in fiscal year 2024. UW Medical Center recognized $0 in DSH funding under this program for the year ended June 30, 2024.

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 year ended June 30, 2024. Claims payments, DSH payments, and state grant funds are included in net patient service revenues in the statement 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 the 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, 2024, UW Medical Center has an estimated payable for the CPE program of $49,307, which is recorded as a payable to contractual agencies in the statement of net position.

(b) Professional Services Supplemental Payment Program and Provider Access Payment

The professional services supplemental payment (PSSP) and provider access payment (PAP) programs are managed by the Washington State Healthcare Authority (HCA) and benefit certain public hospitals.

Under the program, UW Medical Center, 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 $18,231 for the year ended June 30, 2024 in intergovernmental transfers (IGT) to HCA related to professional claims paid. This is recorded in funding to affiliates in the statement 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 IGTs.

UW Medical Center recognized $3,040 in supplemental payments for the year ended June 30, 2024. The payments are recorded in net patient service revenues in the statement of revenues, expenses, and changes in net position. UWP recognized $85,032 in supplemental payments for the year ended June 30, 2024 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(s).

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 within purchased services expense in the statement of revenues, expenses, and changes in net position and was reduced by $41,494 in fiscal year 2024.

(c) Outpatient Directed Payment Program (ODPP)

The outpatient directed payment program was effective January 1, 2023 and is managed by the HCA benefiting certain public hospitals.

Under the program, UW Medical Center receives supplemental Medicaid payments for outpatient services for which they bill. These supplemental payments equal the difference between the standard Medicaid Managed Care Organization outpatient reimbursement rate and the upper payment limit allowable by federal law. UW Medical Center provides the nonfederal share of the supplemental payments that are used to obtain the matching federal funds.

UW Medical Center recorded $25,643 in IGT to HCA for the year ended June 30, 2024 related to outpatient claims with dates of service in that fiscal year, which is included in net patient service revenue in the statement of revenues, expenses, and changes in net position.

UW Medical Center recognized $114,116 in supplemental payments for the year ended June 30, 2024. These payments are included in net patient service revenues in the statement of revenues, expenses, and changes in net position.

As of June 30, 2024, UW Medical Center has an estimated payable of $11,122 for the ODPP program, which is included in payable to contractual agencies in the statement of net position. As of June 30, 2024, UW Medical Center has an estimated receivable for the ODPP program of $52,526, which is recorded in other receivables in the statement of net position.

(d) Inpatient Directed Payment Program (IDPP)

The inpatient directed payment program was effective January 1, 2024 and is managed by the HCA benefiting certain public hospitals.

Under the program, UW Medical Center receives supplemental Medicaid payments for inpatient services for which they bill. These supplemental payments equal the difference between the standard Medicaid Managed Care Organization inpatient reimbursement rate and the upper payment limit allowable by federal law. UW Medical Center provides the nonfederal share of the supplemental payments that are used to obtain the matching federal funds.

UW Medical Center recorded $8,511 in IGT to HCA for the year ended June 30, 2024 related to inpatient claims with dates of service in that fiscal year, which is included in net patient service revenue in the statement of revenues, expenses, and changes in net position.

UW Medical Center recognized $43,979 in supplemental payments for the year ended June 30, 2024. These payments are included in net patient service revenues in the statement of revenues, expenses, and changes in net position.

As of June 30, 2024, UW Medical Center has an estimated payable of $7,369 for the IDPP program, which is included in payable to contractual agencies in the statement of net position. As of June 30, 2024, UW Medical Center has an estimated receivable for the IDPP program of $41,798, which is recorded in other receivables in the statement of net position.

(4) State Appropriation

Appropriations are made by the State to the University on a biennial basis, specifically designated by the State for the training of future healthcare professionals, to upgrade the skills of current practitioners, and other hospital needs. UW Medical Center is designated as a division of the major program “hospitals” included within the total appropriation. For the fiscal year ended 2024, the Group recognized $8,187, which is recorded within recurring state appropriations in the statement of revenues, expenses, and changes in net position. In fiscal year 2024, UW Medical Center was awarded nonrecurring state appropriations of $99,369, which is recorded within nonrecurring state appropriations in the statement of revenues, expenses, and changes in net position.

(Dollar amounts in thousands)

(5) Capital Assets

The activity in the Group's capital asset and related accumulated depreciation and amortization accounts for the year ended June 30, 2024 is set forth below:

	June 30, 2023	Additions	Transfers and Other	Retirements	June 30, 2024
Capital assets, not being depreciated or amortized:					
Land	$ 10,817	—	—	—	10,817
Art	2,753	41	63	—	2,857
Construction and equipment in process	247,178	126,984	(315,556)	—	58,606
Total capital assets, not being depreciated or amortized	260,748	127,025	(315,493)	—	72,280
Capital assets, being depreciated or amortized:					
Land improvements	12,039	—	2	—	12,041
Buildings, renovations, and furnishings	1,019,067	157	271,664	—	1,290,888
Fixed equipment	161,114	—	8,389	(425)	169,078
Intangible assets	204,176	—	7,278	(33)	211,421
Movable equipment	594,679	125	30,332	(5,189)	619,947
Total capital assets, being depreciated or amortized	1,991,075	282	317,665	(5,647)	2,303,375
Total capital assets at historical cost	2,251,823	127,307	2,172	(5,647)	2,375,655
Less accumulated depreciation and amortization for:					
Land improvements	(8,210)	(359)	—	—	(8,569)
Buildings, renovations, and furnishings	(568,074)	(34,580)	(5,599)	—	(608,253)
Fixed equipment	(135,693)	(4,370)	5,474	425	(134,164)
Intangible assets	(119,891)	(12,523)	(1,570)	33	(133,951)
Movable equipment	(477,834)	(33,119)	(440)	5,189	(506,204)
Total accumulated depreciation and amortization	(1,309,702)	(84,951)	(2,135)	5,647	(1,391,141)
Total capital assets, net	$ 942,121	42,356	37	—	984,514

(Dollar amounts in thousands)

(6) Leases and Subscription IT Arrangements

(a) Lessee

The Group leases various equipment and facilities under noncancellable lease agreements. The Group also has noncancellable subscription arrangements for the right-to-use various information technology, software, or hardware. Existing leases and subscription IT arrangements have terms through fiscal year 2044.

(i) Right-to-use Lease and Subscription IT Assets

The Group's right-to-use lease and subscription assets and related accumulated amortization accounts for the fiscal year ended June 30, 2024 are set forth below:

		June 30, 2023	Additions	Modifications and renewals	Deductions	June 30, 2024
Lease and Subscription IT Assets:						
Buildings	$	228,231	2,944	(9,748)	(1,612)	219,815
Equipment		8,794	5,897	3,807	(3,274)	15,224
Aircraft		102,739	—	—	(14,632)	88,107
Subscription IT		28,034	18,821	1,516	(2,156)	46,215
Total lease and subscription IT assets		367,798	27,662	(4,425)	(21,674)	369,361
Less accumulated amortization for:						
Buildings		(52,562)	(18,274)	—	1,611	(69,225)
Equipment		(6,939)	(3,185)	—	2,592	(7,532)
Aircraft		(43,339)	(17,622)	—	14,632	(46,329)
Subscription IT		(10,964)	(9,525)	—	834	(19,655)
Total accumulated amortization		(113,804)	(48,606)	—	19,669	(142,741)
Total lease and subscription IT assets, net	$	253,994	(20,944)	(4,425)	(2,005)	226,620

(Dollar amounts in thousands)

(ii) Lease and Subscription IT Liabilities

Changes in lease and subscription IT liabilities during the fiscal year ended June 30, 2024 are summarized below:

		2024					
		Beginning balance	Additions	Remeasurements and renewals	Deductions	Ending balance	Due within one year
Lease Liabilities	$	252,070	8,840	(5,005)	(37,310)	218,595	33,727
Subscription IT Liabilities		17,255	18,821	1,521	(11,919)	25,678	9,192
Total	$	269,325	27,661	(3,484)	(49,229)	244,273	42,919

(iii) Lease and Subscription IT Maturities

The following schedule shows future annual lease and subscription IT payments, for the next five years and in five-year increments thereafter, as of June 30, 2024, for both principal and interest:

		Principal	Interest	Total
2025	$	42,919	7,013	49,932
2026		29,288	6,031	35,319
2027		26,664	5,201	31,865
2028		26,264	4,428	30,692
2029		12,710	3,860	16,570
2030–2034		49,552	13,838	63,390
2035–2039		43,471	5,650	49,121
2040–2044		13,405	821	14,226
Total payments	$	244,273	46,842	291,115

(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, 2024, is as follows:

		2024
Mutual funds – equity	$	210,108
Domestic corporate bonds		16,835
U.S. governmental agency securities		10,457
U.S. Treasury securities		10,476
Total	$	247,876

(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:

	2024					
Investments	**U.S. Government**	**Investment grade***	**Not investment grade**	**Not rated**	**Total**	**Duration (in years)**
Domestic corporate bonds	$ —	16,835	—	—	16,835	5.25
U.S. governmental agency securities	10,457	—	—	—	10,457	6.28
U.S. Treasury securities	10,476	—	—	—	10,476	7.27
	$ 20,933	16,835	—	—	37,768	6.27

**Investment grade securities are those that are rated BBB- and higher by Standard and Poor's.*

(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.

(Dollar amounts in thousands)

(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, 2024:

		2024			
		Level 1	Level 2	Level 3	Total
Mutual funds	$	210,108	—	—	210,108
Domestic corporate bonds		—	16,835	—	16,835
U.S. governmental agency securities		—	10,457	—	10,457
U.S. Treasury securities		10,476	—	—	10,476
Total investments at fair value	$	220,584	27,292	—	247,876

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.

(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, 2024:

Dividend and interest income	$	13,006
Net realized gains		2,486
Net unrealized gains		11,779
Total investment income	$	27,271

(Dollar amounts in thousands)

(8) Long-Term Debt

Long-term debt, reported as a part of noncurrent liabilities, consists of the following as of June 30, 2024:

Internal Lending Program Debt:		
UW Medical Center Expansion Project, 4.00% interest rate, through July 2046	$	226,677
UW Medical Center note payable to the University, at 4.00% through December 2032, secured by an interest in UW Medical Center gross receivables and certain property and equipment		45,441
UW Medical Center Internal Lending Program Debt, 4.00% interest rate, with various maturity dates		168,737
UW Medical Center other debts, 4.04% to 4.96% interest rates, through December 2027		4,639
ITS Internal Lending Program Debt D1 Project, 4.00% interest rate, through July 2034		112,727
Fred Hutchinson Cancer Center Note Payable, interest of 4.82% through March 2032 – direct borrowing		116,473
UW Medical Center note payable at 4.65%, annual debt service including interest of $1,195 through July 2032, secured by a medical office building – direct borrowing		4,768
Other notes payable		250
Total long-term debt		679,712
Less current portion		(47,144)
Total long-term debt, net of current portion	$	632,568

(a) Long-Term Debt Overview

(i) University Internal Lending Program (ILP)

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. On June 8, 2023, the Board of Regents approved an amendment to the Group's debt service agreements in which principal payments on certain ILP debt will be deferred until July 1, 2024.

(Dollar amounts in thousands)

(ii) Fred Hutchinson Cancer Center Note Payable

On April 1, 2022, UW Medical Center entered into a promissory note agreement with Fred Hutchinson Cancer Center, for its 50% share of the buyout of Seattle Children's Healthcare System membership in SCCA. The original note payable to FHCC was $142,942 and the interest rate is 4.82%. The note shall be payable in forty equal consecutive quarterly installments of principal and interest. Both parties agree that all payments on this note shall be offset by UW Medical Center's portion of the Clinical Distribution Pool due under the Collaboration Agreement to the extent that these funds are available.

(b) Long-Term Debt Maturities

The following schedule shows debt service requirements for the next five years and in five-year increments thereafter, as of June 30, 2024, for both principal and interest:

		Principal	Interest	Total
2025	$	47,144	27,403	74,547
2026		50,313	25,317	75,630
2027		50,421	23,139	73,560
2028		52,388	20,963	73,351
2029		54,511	18,704	73,215
2030–2034		250,882	58,542	309,424
2035–2039		101,219	23,182	124,401
2040–2044		52,851	9,139	61,990
2045–2049		19,983	946	20,929
Total payments	$	679,712	207,335	887,047

(c) Changes in Long-Term Debt

Changes in long-term debt during fiscal year ended June 30, 2024 are summarized below:

		June 30, 2023	Increases	Decreases	June 30, 2024	Due within one year
ILP Debt:						
UW Medical Center Expansion Project	$	226,677	—	—	226,677	10,262
UW Medical Center Note payable – University		45,441	—	—	45,441	4,581
UW Medical Center ILP debt		112,710	56,027	—	168,737	7,289
Other UW Medical Center debts		10,847	—	(6,208)	4,639	2,255
UW Medicine ITS ILP Debt		108,486	4,241	—	112,727	9,453
Fred Hutchinson Cancer Center Note Payable		131,530	—	(15,057)	116,473	12,712
UW Medical Center Note Payable		5,243	—	(475)	4,768	498
Other note payables and capital leases		338	—	(88)	250	94
Total current and long-term debt	$	641,272	60,268	(21,828)	679,712	47,144

(9) Risk Management

The Group is exposed to risk of loss related to professional, automobile, general liability, employment practices, 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, the 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 statement of net position for professional liability exposures.

The Group's contribution to the professional liability program was $29,819 in fiscal year 2024 and is recorded in other operating expense in the statement 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 departments, divisions, agencies, and component units through the benefit load rate.

Based on the University's benefit load apportionment, the Group incurred and paid $16,318 in fiscal year 2024, related to annual UWRP funding, which is recorded in employee benefits expense in the statement 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 of the 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.

(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 an optional cost-of-living adjustment (COLA).

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 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 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 COLA (based on the Consumer Price Index) capped at 3% annually.

(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 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/wp-content/uploads/2023/10/2023-ACFR-Document.pdf.

(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.

(Dollar amounts in thousands)

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 2024 pension liability (asset) is based on valuation performed as of June 30, 2022 with the results rolled forward to the measurement date of June 30, 2023. The following actuarial assumptions have been applied to all prior periods included in the measurement:

	2024
Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increase	Expected to grow by service-based salary increases in addition to salary inflation assumption of 3.25%
Investment rate of return	7%

Mortality rates as of June 30, 2022 were developed using 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, 2022 valuations were based on the results of the 2013–2018 Demographic Experience Study Report and 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation dates.

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.

The long-term expected rate of return of 7% as of June 30, 2023, 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.

(Dollar amounts in thousands)

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:

	2024 (Measurement date: 2023)	
	Target asset allocation	Long-term expected real rate of return arithmetic
Asset class:		
Fixed income	20.0 %	1.5 %
Tangible assets	7.0	4.7
Real estate	18.0	5.4
Global equity	32.0	5.9
Private equity	23.0	8.9

The inflation components used to create the above table are 2.20% and represent WSIB's most recent long-term estimate of broad economic inflation at the time of these valuations.

(v) Discount Rate

The discount rate used to measure the total pension liabilities as of June 30, 2024 was 7%. 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% future investment rate of return on pension plan investments was assumed as measurement date June 30, 2023. 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 proportionate share of the net pension liability and asset calculated using the discount rate of 7% as of measurement dates June 30, 2023, as well as what the net pension liability and asset would be if it 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)

	2024		
	1% Decrease	**Current discount rate**	**1% Increase**
Plan:			
PERS 1	$ 123,008	88,049	57,534
PERS 2/3	221,334	(203,503)	(552,534)

(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 at 0.20% at June 30, 2024. 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 PERS plan in which the Group participates for the year ended June 30, 2024.

Description	**PERS Plan 1**	**PERS Plan 2/3**[i]
Contributions as June 30, 2024:		
Contribution rate	10.39 %	10.39 %
Contributions made	$ 24,787	52,663

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 end. The measurement date for the net pension liabilities and assets recorded by the Group as of June 30, 2024 was June 30, 2023. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2023 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, 2023 Schedules of Employer and Nonemployer Allocations. The following table presents the Group's proportionate share for each DRS plan.

(Dollar amounts in thousands)

	2024
PERS 1	3.86 %
PERS 2/3	4.97

(ix) The Group's Aggregated Balances

The table below presents the Group's aggregated balance of net pension liability and net pension asset as of June 30, 2024.

	Plan
PERS 1	$ 88,049
PERS 2/3	(203,503)
Net Pension (Asset) Liability	$ (115,454)

(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 PERS 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.

	Proportionate share of pension expense (income)		
Description	**PERS Plan 1**	**PERS Plan 2/3**	**Total**
June 30, 2024	$ (216)	(20,635)	(20,851)

(Dollar amounts in thousands)

Deferred Outflows of Resources

Description		PERS 1	PERS 2/3	Total
June 30, 2024:				
Change in assumptions	$	—	85,438	85,438
Difference between expected and actual experience		—	41,453	41,453
Change in the Group's proportionate share		—	9,852	9,852
The Group's contributions subsequent to the measurement date of the collective net pension liability [a]		24,787	52,663	77,450
Total	$	24,787	189,406	214,193

[a] Recognized as a reduction of the net pension liability as of June 30, 2025.

Deferred Inflows of Resources

Description		PERS 1	PERS 2/3	Total
June 30, 2024:				
Difference between projected and actual earnings on plan investments, net	$	9,932	76,692	86,624
Difference between expected and actual experience		—	2,274	2,274
Change in assumptions		—	18,623	18,623
Total	$	9,932	97,589	107,521

(Dollar amounts in thousands)

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**
2025	$	(6,757)	(33,574)	(40,331)
2026		(8,498)	(41,299)	(49,797)
2027		5,240	66,405	71,645
2028		83	24,383	24,466
2029		—	22,253	22,253
Thereafter		—	986	986
Total	$	(9,932)	39,154	29,222

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

(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, 2024 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 by the measurement period 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.

Additionally, the contributions made after the June 30, 2023 measurement date and before the end of the June 30, 2024 fiscal year are now being recorded as deferred outflows of resources instead of as a reduction of the net pension liability in the current fiscal year.

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. Participant data is updated biannually in the actuarial valuations. The table below shows the number of the Group's participants in the UWSRP as of June 30, 2024:

(Dollar amounts in thousands)

	June 30, 2024
Active employees	385
Inactive employees receiving benefits	121
Inactive employees entitled to, but not receiving benefits	32

(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 year ended June 30, 2024 were $1,082.

(iii) 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. Prior to fiscal year 2021 employer contributions were not required. The Group's contribution rate for the fiscal year ended June 30, 2024 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in the fiscal year ending June 30, 2024 were $1,858.

(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 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. The annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense for the year ended June 30, 2024 was 7.16%. 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 also 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 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 9.36% as of June 30, 2024.

As of June 30, 2024, the University had set aside $360,800, to pay future UWSRP retiree benefits, of which the Group recorded $33,462, as other assets on its statement of net position. These assets are invested in the University's Invested Funds Pool. 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 become effective. As a result, the University uses accounting guidance for single employer plans that have trusted assets and reports the pension liability net of plan assets.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," allows the employer to use a measurement date for the Total Pension Liability (TPL) and the Net Pension Liability (NPL) no earlier than the end of the employer's prior fiscal year. In prior years, the measurement dates used by the University for valuation of the NPL were the same as the University's financial reporting dates. In fiscal year 2024, however, the University elected to transition to a measurement date that lags the financial reporting date by one fiscal year. As a result, the June 30, 2024 NPL is based on a measurement date of June 30, 2023. There was no material impact associated with the change in accounting principle.

The Group's proportionate share of the components of the UWSRP liability was unchanged in 2024 due to the University's change in accounting election. The net pension liability at June 30, 2024 was $15,144. The June 30, 2024 TPL and NPL are based on an actuarial valuation performed as of January 1, 2023 with update procedures performed by the OSA to roll forward the TPL to June 30, 2023. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. OSA's model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). The valuation was prepared using the entry age actuarial cost method.

UWSRP pension income for the fiscal year ended June 30, 2024 was $776, which is reported within employee benefits expense as a reduction to expenses in the statement 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 impact on the Group's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2024:

	June 30, 2024
Inflation	2.75%
Salary changes	4.00
Source of mortality assumptions	PubT.H-2010 tables, with the MP-017 mortality improvement scale
Date of experience study	August 2021
Discount rate	7.00%
Change in the discount since prior measurement date	0.00%
Source of discount rate	2021 Report on Financial Condition and Economic Experience Study
Long-term expected rate of return on plan investments	7.00%
NPL measurement at discount rate	$ 15,144
NPL discount rate increased 1%	12,664
NPL discount rate decreased 1%	18,043

There were no changes to the assumptions used for the period ending June 30, 2024.

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.

(Dollar amounts in thousands)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for June 30, 2024 (measurement date 2023), are summarized in the following table:

	Target asset allocation	Long-term expected real rate of return arithmetic
Asset class:		
Fixed income	20.0 %	1.5 %
Tangible assets	7.0	4.7
Real estate	18.0	5.4
Global equity	32.0	5.9
Private equity	23.0	8.9

As noted above, the discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that that the Group would pay retiree benefits from assets designated for that purpose, until such time that responsibility for these payments transfers to the DRS and payments are funded by the plan assets invested in the CTF. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

(vii) Deferred Outflows and Inflows of Resources

The tables below summarize the Group's deferred outflows and 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		
Difference between expected and actual experience	$	9,422
Change in assumptions		8,951
Change in proportion		4,797
Contributions subsequent to measurement date[1]		1,859
Total	$	25,029

[1] Recognized as a reduction of total pension liability as of June 30, 2025.

(Dollar amounts in thousands)

Deferred inflows of resources		
Difference between expected and actual experience	$	24,249
Change in assumptions		14,884
Net difference between projected and actual earnings on plan investments		281
Change in proportion		1,954
Total	$	41,368

Amortization of deferred outflows and inflows of resources [a]		
Year:		
2025	$	(4,798)
2026		(3,732)
2027		(2,740)
2028		(6,239)
2029		(547)
Thereafter		(142)
Total	$	(18,198)

[a] Negative amounts shown in the table above represent a reduction of expense.

(d) Other Postemployment Benefits (OPEB)

(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. 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 note 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 $183 per member per month during fiscal year 2024.

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, 2024:

	2024
Active employees	9,438
Inactive employees receiving benefits	2,730
Inactive employees entitled to, but not receiving, benefits	N/A*

* Data not available

(Dollar amounts in thousands)

(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 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 Group's financial statements. The following table shows significant assumptions used to measure the total OPEB liability (TOL) as of June 30, 2024:

Significant Assumptions Used to Measure the Total OPEB Liability (TOL)

	June 30, 2024
Inflation	2.35 %
Healthcare cost trend rate	Initial rate ranges from about 2–11%, reaching an ultimate rate approximately 3.8% in 2080.
Salary increase	3.25% 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 Experience Study Report
Discount rate	3.65 %
Source of discount rate	Bond Buyer's General Obligation 20-Bond index as of June 30, 2023 (Measurement Date)
Postretirement participation percentage	60.00 %
TOL measurement at discount rate	$ 321,541
TOL discount rate increased 1%	277,554
TOL discount rate decreased 1%	376,225
TOL measurement at healthcare cost trend rate	321,541
TOL healthcare cost trend rate increased 1%	387,632
TOL healthcare cost trend rate decreased 1%	270,192

(Dollar amounts in thousands)

Material assumption changes during the measurement period ending June 30, 2024 include updating the discount rate, as required by GASB 75.

(iii) Changes in the Total OPEB Liability

The TOL for the state of Washington as of June 30, 2024 was determined by an actuarial valuation, conducted by the OSA using data as of June 30, 2022 with the results rolled forward to the measurement date of June 30, 2023. 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 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.

The Group's proportionate share percentage was 25.17% as of June 30, 2024.

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, 2024
Beginning balance	$	309,532
Service cost		11,265
Interest		11,316
Change in assumptions		(5,441)
Benefit payments		(7,882)
Change in proportion		2,751
Ending balance	$	321,541

(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 income for the year ended June 30, 2024 was ($7,411).

(Dollar amounts in thousands)

The following table presents the deferred outflows of resources and deferred inflows of resources as of June 30, 2024:

Deferred outflows of resources		
Differences between expected and actual experience in the measurement of the total OPEB liability	$	4,882
Changes in proportion		139,380
Change in assumptions		20,895
Group’s contributions subsequent to the measurement date of the collective total OPEB liability [a]		8,103
Total	$	173,260

[a] Recognized as a reduction of the total OPEB liability as of June 30, 2025.

Deferred inflows of resources		
Differences between expected and actual experience in the measurement of the total OPEB liability	$	9,549
Change in assumptions		192,649
Changes in proportion		20,739
Total	$	222,937

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:		
2025	$	(6,420)
2026		(6,420)
2027		(6,420)
2028		(6,420)
2029		(6,420)
Thereafter		(25,680)
Total	$	(57,780)

[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. For termination of service due to other reasons, participants may elect to receive their vested balance as a lump-sum distribution.

Participants become 100% vested upon severance of employment from UWP due to death or disability or upon attaining age 65 while still employed by UWP. Upon severance of employment due to other reasons, participants are entitled to benefits, which start at 25% vested after two years of service, 50% vested after three years, 75% vested after four years, and 100% vested after five years.

Total pension expense was approximately $24,466, net of forfeitures of $868 in fiscal year 2024 and is recorded in employee benefits expense within the statement of revenues, expenses, and changes in net position. The Association had no liability outstanding for pension contributions at June 30, 2024.

(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 statement 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. The amounts for these services are shown below (see (f)).

In addition, the Group leases clinical space from the School for which it records a right-to-use lease asset and lease liability. At June 30, 2024, the right-to-use lease asset, net of accumulated amortization, was $28,482. At June 30, 2024, $1,369 is recorded within current portion of lease and subscription IT liabilities and $30,683 is recorded within long-term lease and subscription IT liabilities, net of current portion, within the statement of net position.

(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 (f)).

(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.

UW Medical Center has a payable to the University. The payable is subject to repayment in annual installments of $5,000 over future years, however, the University deferred the annual installment payment beginning May 2023 through fiscal year 2024 due to financial pressures at UW Medical Center. No installment payments were made during the year ended June 30, 2024. At June 30, 2024, the current portion of the payable to the University of $5,000 is included in due to related parties and the remaining balance of $109,565 is included in due to related parties – long term in the statement of net position. The amounts for these transactions are shown below (see (f)).

The Group leases clinical, warehouse, and office space from other divisions of the University for which it records a right-to-use lease asset and lease liability. At June 30, 2024, the right-to-use lease asset, net of accumulated amortization, was $15,930. At June 30, 2024, $1,324 is recorded within current portion of lease and subscription IT liabilities and $15,937 is recorded within long-term lease and subscription IT liabilities, net of current portion, in the statement of net position.

(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 (f)).

(c) Fred Hutchinson Cancer Center

FHCC 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. FHCC provides medical oversight and management of the inpatient hospital and the hospital is governed by its own board. Under a contract between the University and FHCC, UW Medical Center provides certain of the inpatient care support services for the FHCC 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 cost to charge ratio methodology. Reimbursement of these support services is recorded in net patient service revenues in the statement of revenues, expenses, and changes in net position. In addition, UW Medical Center purchases certain administrative and program support services from FHCC to assist with its programs. The amounts for these transactions are shown below (see (f)).

UW Medical Center also provides various services to the FHCC'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 statement of revenues, expenses, and changes in net position. The amounts for these transactions are shown below (see (f)). At June 30, 2024, the Group recorded $17,660 in due from related parties in the statement of net position for amounts owed to the Group by FHCC.

(d) 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 and CUMG. UWP bills CUMG for these services on a monthly basis. These amounts are included in the tables below (see (f)). Likewise, CUMG provides billing support services to UWP for UWP physicians providing clinical care to patients at the Seattle Children's Hospital (SCH).

(e) UWM PC

Under an annual agreement, UW Medical Center and Harborview provide funding to UWM PC for operations and capital purposes. For the year ended June 30, 2024, total funding from the UW Medicine hospitals to UWM PC was $64,610. Approximately $47,554 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 statement of revenues, expenses, and changes in net position. The amounts for these transactions are shown below (see (f)).

(f) 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 statement of revenues, expenses, and changes in net position. The following table summarizes the related-party revenue and expense transactions for the year ended June 30, 2024:

(Dollar amounts in thousands)

(Expense) revenue transactions		
Services and supplies purchased from the University and its departments and affiliates:		
The School	$	(304,866)
UW Medicine Central Costs		(28,358)
Other University divisions		(122,491)
Services and supplies purchased from Harborview		(7,951)
Services and supplies purchased from FHCC		(30,146)
Services and supplies provided to the University and its departments and affiliates:		
The School		11,313
Other University divisions		758
Services and supplies provided to Harborview		179,190
Services and supplies provided to FHCC		126,244
Services and supplies provided to VMC		4,483
Services and supplies provided to CUMG		1,743
Services and supplies provided to SCH		1,551

As of June 30, 2024, the Group had amounts due from or (due to) related parties for certain transactions as follows:

Due from related parties		
The University and its departments and affiliates:		
The School	$	21,856
Other University divisions		46,583
Harborview		17,222
FHCC		17,660

Due to related parties		
The University and its departments and affiliates:		
The School	$	53,064
Other University divisions		186,214
Harborview		7,194
FHCC		4,952

(g) 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. On June 30, 2023, CMS approved MTP to continue for an additional five years beginning July 1, 2023. HCA requested intergovernmental transfers from other state and local public entities to finance a portion of the nonfederal share. The Group recorded $89,562 in intergovernmental transfers to the State in fiscal year 2024, which is included in funding to affiliates in the statement 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 $111,957 in fiscal year 2024, which is recorded in funding from affiliates in the statement of revenues, expenses, and changes in net position. Funds received through this program are not restricted in use.

(13) Commitments and Contingencies

(a) Purchase Commitments

The Group has current commitments at June 30, 2024 of approximately $53,762 related to various construction and other projects.

(b) 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.

(c) 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.

(d) Collective Bargaining Agreements

The Group has approximately 74.5% of its workforce covered by collective bargaining agreements as of June 30, 2024. 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 SELECT UNITS – UW DIVISION

Schedules of Required Supplementary Information (Unaudited)

(Dollar amounts in thousands)

The schedules of required supplementary information below reflect information for UW Medicine Select Units – UW Division.

Schedule of the Group's Proportionate Share of the Net Pension Liability (Asset)
(Amounts determined as of the measurement date)

PERS 1 Pension Plan

		2024	2023	2022	2021	2020	2019	2018	2017
The Group's proportion of the net pension liability		3.86 %	3.84 %	3.73 %	3.20 %	2.93 %	2.93 %	2.96 %	2.89 %
The Group's proportionate share of the net pension liability	$	88,049	106,782	45,608	112,964	112,603	130,636	139,899	155,096
The Group's covered payroll		685,031	621,930	561,965	480,672	398,000	375,552	364,515	337,067
The Group's proportionate share of the net pension liability as a percentage of its covered payroll		12.85 %	17.17 %	8.12 %	23.50 %	28.29 %	34.79 %	38.38 %	46.01 %
Plan fiduciary net position as a percentage of the total pension liability		80.16	76.56	88.74	68.64	67.12	63.22	61.24	57.03

PERS 2/3 Pension Plan

		2024	2023	2022	2021	2020	2019	2018	2017
The Group's proportion of the net pension (asset) liability		4.97 %	4.99 %	4.78 %	4.12 %	3.73 %	3.69 %	3.72 %	3.61 %
The Group's proportionate share of the net pension (asset) liability	$	(203,503)	(184,900)	(475,806)	52,706	36,207	62,990	128,950	181,639
The Group's covered payroll		686,392	623,173	563,141	480,376	398,530	374,817	363,873	336,961
The Group's proportionate share of the net pension (asset) liability as a percentage of its covered payroll		(29.65)%	(29.73)%	(84.49)%	10.97 %	9.09 %	16.81 %	35.44 %	53.91 %
Plan fiduciary net position as a percentage of the total pension (asset) liability		107.02	106.73	120.29	97.22	97.77	95.77	90.97	85.82

Schedule of the Group's Contributions
(Amounts determined as of the fiscal year-end)

PERS 1 Pension Plan

		2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$	149	171	192	297	380	439	553	625
Contributions in relation to the contractually required contribution		149	171	191	297	380	440	551	618
Contribution deficiency (excess)		—	—	1	—	—	(1)	2	7
The Group's covered payroll		826,518	685,031	621,930	561,965	480,672	398,000	375,552	364,515
Contributions as a percentage of covered payroll		0.02 %	0.02 %	0.03 %	0.05 %	0.08 %	0.11 %	0.15 %	0.17 %

PERS 2/3 Pension Plan

		2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$	79,019	71,120	64,605	72,914	61,771	51,022	47,359	40,679
Contributions in relation to the contractually required contribution		79,009	71,157	64,171	72,917	61,803	50,999	47,404	40,721
Contribution (excess) deficiency		11	(37)	434	(3)	(32)	23	(45)	(42)
The Group's covered payroll		828,054	686,392	623,173	563,141	480,376	398,530	374,817	363,873
Contributions as a percentage of covered payroll		9.54 %	10.36 %	10.37 %	12.95 %	12.86 %	12.80 %	12.64 %	11.18 %

See accompanying independent auditors' report.

UW MEDICINE SELECT UNITS – UW DIVISION

Schedules of Required Supplementary Information (Unaudited)

(Dollar amounts in thousands)

The schedules of required supplementary information below reflect information for UW Medicine Select Units – UW Division.

Schedule of Changes of Total OPEB Liability

	2024	2023	2022	2021	2020	2019	2018
Beginning balance	$ 309,532	462,354	413,696	309,441	280,069	306,185	336,283
Service cost	11,265	22,835	23,109	17,167	12,529	17,510	20,758
Interest	11,316	10,595	9,988	14,361	10,869	12,038	9,723
Difference between expected and actual experience	—	(10,491)	—	(2,201)	—	10,989	—
Change in assumptions	(5,441)	(177,152)	4,267	9,309	20,240	(76,658)	(47,429)
Benefit payments	(7,882)	(7,785)	(7,609)	(6,837)	(4,972)	(5,084)	(4,955)
Change in proportionate share	2,751	9,176	18,903	87,083	(9,294)	15,089	(8,195)
Other	—	—	—	(14,627)	—	—	
Ending balance	$ 321,541	309,532	462,354	413,696	309,441	280,069	306,185
OPEB covered-employee payroll	$ 897,422	802,791	768,225	706,311	546,921	515,803	494,744
Total OPEB liability as percentage of covered-employee payroll	35.83 %	38.56 %	60.18 %	58.57 %	56.58 %	54.30 %	61.89 %

See accompanying independent auditors' report.

UW MEDICINE SELECT UNITS – UW DIVISION

Schedules of Required Supplementary Information (Unaudited)

(Dollar amounts in thousands)

The schedules of required supplementary information below reflect information for UW Medicine Select Units – UW Division.

UWSRP Schedule of Changes of Net Pension Liability (NPL)

	2024[2]	2023	2022	2021
Total pension liability (TPL) – Beginning	$ 25,183	28,774	19,070	68,600
Service cost	—	474	341	2,017
Interest on TPL	—	2,069	1,470	1,558
Change in proportion	—	325	527	266
Difference between expected and actual experience	—	(2,936)	6,274	(32,835)
Change in assumptions	—	(2,494)	2,044	(19,678)
Benefit payments	—	(1,029)	(952)	(858)
Net change in total pension liability	—	(3,591)	9,704	(49,530)
Total pension liability – Ending (a)	25,183	25,183	28,774	19,070
Plan fiduciary net position – Beginning	10,039	8,584	7,938	5,349
Employer contributions	—	782	604	626
Net investment income	—	673	42	1,963
Net change in plan fiduciary net position	—	1,455	646	2,589
Plan fiduciary net position – Ending (b)	10,039	10,039	8,584	7,938
UWSRP net pension liability (a) minus (b)	$ 15,144	15,144	20,190	11,132
Plan fiduciary net position as percentage of the total pension liability	39.86%	39.86 %	29.83 %	41.63 %
The Group's UWSRP covered payroll [(1)]	205,911	205,911	159,013	152,720
Net pension liability as a percentage of covered payroll	7.35%	7.35 %	12.70 %	7.29 %

Schedule of the Group's Contributions
(Amounts determined as of the fiscal year-end)

	2024	2023	2022	2021
Contractually required contribution	$ 776	782	604	580
Contributions in relation to the contractually required contribution	776	782	604	626
Contribution deficiency (excess)	$ —	—	—	(46)
The Group's UWSRP covered payroll [(1)]	203,992	205,911	159,013	152,720
Contributions as a percentage of covered-employee payroll	0.38 %	0.38 %	0.38 %	0.41 %

[(1)] Covered payroll for the fiscal years ending June 30, 2024, 2023, 2022, and 2021 is based on the payroll of participants in the University's 403(b) defined contribution UWRP.

[(2)] In fiscal year 2024, the University elected to transition to a measurement date that lags the financial report date by one fiscal year. As a result, the June 30, 2024 NPL is based on a measurement date of June 30, 2023. There is no material impact associated with this change in accounting principal.

See accompanying independent auditors' report.

UW MEDICINE SELECT UNITS – UW DIVISION

Schedules of Required Supplementary Information (Unaudited)

(Dollar amounts in thousands)

The schedules of required supplementary information below reflect information for UW Medicine Select Units – 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.

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, 2021 valuation date, completed in the fall of 2022, plus any supplemental contribution rates from the preceding legislative session, determines the ADC for the period beginning July 1, 2023 and ending June 30, 2025.

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, 2024 is based on the payroll of participants in the University's 403(b) defined contribution UWRP.

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

The source for the discount rate changed in 2021 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.

The UWSRP TPL and NPL remained unchanged as of June 30, 2024, as a result of 2023 measurement period being rolled forward to the current fiscal year.

The June 30, 2024 TPL and NPL are based on an actuarial valuation performed as of January 1, 2023 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2023. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. In addition, OSA's model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). Based on information provided by TIAA and OSA's professional judgment, some of the long-term assumptions were updated, which decreased the TPL. The valuation was prepared using the entry age actuarial cost method.

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 2024 relate to an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.54% for the June 30, 2022 measurement date to 3.65% for the June 30, 2023 measurement date. This change resulted in a decrease in change in assumption and the TOL.

UW MEDICINE SELECT UNITS – UW DIVISION

Combining Schedule of Net Position

June 30, 2024

(Dollar amounts in thousands)

	UW Medical Center	UWP	Primary Care	Airlift	Shared services	Eliminating entries	Combined
Current assets:							
Cash and cash equivalents	$ —	76,162	6,333	7,903	—	—	90,398
Funds held by the University of Washington	100,181	—	—	—	55,880	—	156,061
Patient accounts receivable, net	335,683	—	—	18,580	—	—	354,263
Other receivables	114,679	714	1,281	1,260	18	(13)	117,939
Due from related parties	81,497	8,831	9,406	243	64,210	(60,866)	103,321
Supplies inventory	38,245	—	509	89	—	—	38,843
Other current assets	16,674	9	—	—	16,511	(10,425)	22,769
Total current assets	686,959	85,716	17,529	28,075	136,619	(71,304)	883,594
Noncurrent assets:							
Capital assets, net of accumulated depreciation and amortization	853,854	218	17,313	2,774	110,355	—	984,514
Right-to-use lease and subscription IT assets, net of accumulated amortization	121,672	997	30,024	48,516	32,376	(6,965)	226,620
Funds held by the University of Washington	348,813	—	—	—	—	—	348,813
Investments	—	247,876	—	—	—	—	247,876
Donor restricted assets	14,334	—	36	307	—	—	14,677
Investment in Fred Hutchinson Cancer Center	428,827	—	—	—	—	—	428,827
Other assets	73,197	—	159	519	122,872	(102,232)	94,515
Net pension assets	163,998	—	—	3,017	36,488	—	203,503
Total noncurrent assets	2,004,695	249,091	47,532	55,133	302,091	(109,197)	2,549,345
Total assets	2,691,654	334,807	65,061	83,208	438,710	(180,501)	3,432,939
Deferred outflows of resources:							
Deferred outflows of resources related to pensions	185,757	—	—	4,693	48,772	—	239,222
Deferred outflows of resources related to other postemployment benefits	110,850	—	—	2,604	59,806	—	173,260
Other deferred outflows of resources	3,110	—	—	—	—	—	3,110
Total assets and deferred outflows of resources	$ 2,991,371	334,807	65,061	90,505	547,288	(180,501)	3,848,531

See accompanying independent auditors' report.

UW MEDICINE SELECT UNITS – UW DIVISION

Combining Schedule of Net Position

June 30, 2024

(Dollar amounts in thousands)

	UW Medical Center	UWP	Primary Care	Airlift	Shared services	Eliminating entries	Combined
Current liabilities:							
Accounts payable and accrued expenses	$ 86,399	4,121	1,341	4,259	30,375	—	126,495
Accrued salaries, wages, and employee benefits	111,402	30,538	4,688	4,433	39,520	—	190,581
Payable to contractual agencies	70,618	—	—	—	—	—	70,618
Due to related parties	125,608	33,023	9,734	6,078	28,282	(60,866)	141,859
Current portion of long-term debt	37,597	—	94	—	9,453	—	47,144
Current portion of lease and subscription IT liabilities	9,230	1,110	5,258	18,462	10,684	(1,825)	42,919
Other current liabilities	2,926	1	89	1,013	19,652	(8,613)	15,068
Clinical medicine fund and departmental payables	—	265,866	—	—	—	—	265,866
Total current liabilities	443,780	334,659	21,204	34,245	137,966	(71,304)	900,550
Noncurrent liabilities:							
Long-term debt, net of current portion	529,138	—	156	—	103,274	—	632,568
Long-term lease and subscription IT liabilities, net of current portion	125,735	148	28,898	30,246	22,061	(5,734)	201,354
Net pension liabilities	77,806	—	—	1,433	23,954	—	103,193
Other postemployment benefits	236,251	—	—	4,902	80,388	—	321,541
Due to related parties – long-term	192,920	—	—	—	—	(83,355)	109,565
Other noncurrent liabilities	2,147	—	—	—	35,005	(13,143)	24,009
Total liabilities	1,607,777	334,807	50,258	70,826	402,648	(173,536)	2,292,780
Deferred inflows of resources:							
Deferred inflows of resources related to pensions	105,178	—	—	2,166	41,545	—	148,889
Deferred inflows of resources related to other postemployment benefits	156,650	—	—	3,733	62,554	—	222,937
Other deferred inflows of resources	44,110	—	—	—	—	(6,965)	37,145
Total liabilities and deferred inflows of resources	1,913,715	334,807	50,258	76,725	506,747	(180,501)	2,701,751
Net position:							
Net investment in capital assets	390,298	—	12,930	2,582	(2,741)	594	403,663
Nonexpendable, restricted	3,114	—	—	100	—	—	3,214
Expendable, restricted	11,228	—	36	258	—	—	11,522
Unrestricted	673,016	—	1,837	10,840	43,282	(594)	728,381
Total net position	1,077,656	—	14,803	13,780	40,541	—	1,146,780
Total liabilities, deferred inflows of resources, and net position	$ 2,991,371	334,807	65,061	90,505	547,288	(180,501)	3,848,531

See accompanying independent auditors' report.

UW MEDICINE SELECT UNITS – UW DIVISION

Combining Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2024

(Dollar amounts in thousands)

	UW Medical Center	UWP	Primary Care	Airlift	Shared services	Eliminating entries	Combined
Operating revenue:							
Net patient service revenues	$ 2,327,215	—	—	65,613	—	—	2,392,828
UWP billing revenues, net	—	476,902	—	—	—	(5,938)	470,964
Other revenue	237,771	—	96,760	1,600	465,452	(383,025)	418,558
Total operating revenues	2,564,986	476,902	96,760	67,213	465,452	(388,963)	3,282,350
Operating expenses:							
Salaries and wages	831,053	286,799	38,013	23,788	205,478	—	1,385,131
Employee benefits	163,032	39,739	13,237	4,194	45,501	—	265,703
Purchased services	748,549	99,294	22,655	18,057	129,683	(362,696)	655,542
Supplies	629,964	7	13,078	5,005	13,852	(8,678)	653,228
Other	48,369	49,329	4,452	4,206	19,089	(15,807)	109,638
Depreciation and amortization	71,258	1,698	7,249	19,016	36,118	(1,782)	133,557
Total operating expenses	2,492,225	476,866	98,684	74,266	449,721	(388,963)	3,202,799
Income (loss) from operations	72,761	36	(1,924)	(7,053)	15,731	—	79,551
Nonoperating revenues (expenses):							
Investment income	3,345	—	—	—	—	—	3,345
Interest expense	(28,391)	(36)	(1,079)	(1,251)	(5,660)	179	(36,238)
Funding to affiliates	(23,729)	—	—	—	(90,257)	3,504	(110,482)
Funding from affiliates	5	—	—	—	115,996	(1,928)	114,073
Recurring state appropriations	7,383	—	—	—	804	—	8,187
Non-recurring state appropriations	99,369	—	—	—	—	—	99,369
Fred Hutchinson Cancer Center financial alignment income	52,787	—	—	—	—	—	52,787
Federal Emergency Management Agency public assistance program	68,424	—	—	—	167	—	68,591
Other, net	8,181	—	56	1,089	142	(179)	9,289
Nonoperating revenues (expenses), net	187,374	(36)	(1,023)	(162)	21,192	1,576	208,921
Income (loss) before capital appropriations and other	260,135	—	(2,947)	(7,215)	36,923	1,576	288,472
Capital contributions and other transfers	35,215	—	1,970	—	—	(1,576)	35,609
Increase (decrease) in net position	295,350	—	(977)	(7,215)	36,923	—	324,081
Net position – beginning of the year	782,306	—	15,780	20,995	3,618	—	822,699
Net position – end of year	$ 1,077,656	—	14,803	13,780	40,541	—	1,146,780

See accompanying independent auditors' report.

METROPOLITAN TRACT

UNIVERSITY OF WASHINGTON METROPOLITAN TRACT

(A Department of University of Washington)

Basic Financial Statements

June 30, 2024

(With Independent Auditors' Report Thereon)

UNIVERSITY OF WASHINGTON METROPOLITAN TRACT
(A Department of University of Washington)

Table of Contents

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Regents
University of Washington:

Opinion

We have audited the financial statements of the University of Washington Metropolitan Tract (the Metropolitan Tract), a department of the University of Washington, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Metropolitan Tract's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Tract as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Metropolitan Tract and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 2, the financial statements of the Metropolitan Tract are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the University of Washington that is attributable to the transactions of the Metropolitan Tract. They do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2024, the changes in its financial position, or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. 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 U.S. generally accepted accounting principles, 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.

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

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.

Required Supplementary Information

Management has omitted management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Metropolitan Tract's basic financial statements. The Details of Capital Assets schedule is presented for 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 GAAS. 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 22, 2024

UNIVERSITY OF WASHINGTON METROPOLITAN TRACT
(A Department of University of Washington)

Statements of Net Position

June 30, 2024

(amounts in thousands)

Assets

Current assets:		
Cash	$	10,961
Funds held by the University		50,903
Security deposits – residential		65
Due from Fairmont Olympic Hotel		251
Accounts receivable, net of allowance		1,723
Current lease receivable		28,933
Accrued interest receivable		5,129
Other current assets		974
Total current assets		98,939
Capital assets, net		172,318
Long-term lease receivable		279,121
Long-term receivable – Waterfront Local Improvement District		2,428
Total assets	$	552,806

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:		
Accounts payable and accrued expenses	$	3,879
Leasehold excise tax payable		1,802
Security deposits – residential		66
Unearned rent revenue		1,543
Current portion of long-term debt		875
Total current liabilities		8,165
Security deposits, commercial		3,233
Long-term debt, net of current portion		25,585
Total liabilities		36,983
Deferred inflows of resources – leases		284,361
Net position:		
Net investment in capital assets		145,858
Unrestricted		85,604
Total net position		231,462
Total liabilities, deferred inflow of resources, and net position	$	552,806

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON METROPOLITAN TRACT
(A Department of University of Washington)

Statements of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2024

(amounts in thousands)

Operating revenues:		
Lease revenue	$	59,956
Gain on Lease termination		5,469
Total operating revenues		65,425
Operating expenses:		
Property operating expenses		16,557
Taxes		6,763
General and administrative		8,575
Property management		2,422
Total operating expenses		34,317
Operating income, before depreciation		31,108
Depreciation		14,084
Net operating income		17,024
Non-operating revenues (expenses):		
Lease interest revenue		9,946
Other income		119
Interest expense		(946)
Subsidy to UW facilities bond retirement account		(14,000)
Total other expenses		(4,881)
Change in net position		12,143
Total net position, beginning of year		219,319
Total net position, end of year	$	231,462

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON METROPOLITAN TRACT
(A Department of University of Washington)

Statements of Cash Flows

Year ended June 30, 2024

(amounts in thousands)

Cash flows from operating activities:		
Cash received from tenants	$	23,138
Payments made to vendors		(22,395)
Payments made to the University to reimburse for salaries and benefits		(4,198)
Payments for leasehold excise taxes		(6,753)
Net cash flows from operating activities		(10,208)
Cash flows for noncapital financing activities:		
Security deposits payable (residential and commercial)		(881)
Subsidy to UW facilities bond retirement account		(14,000)
Net cash flows for noncapital financing activities		(14,881)
Cash flows for capital and related financing activities:		
Improvements made to long-lived assets		(29,990)
Interest received from leasing activities		9,467
Cash received from leasing activities		37,630
Other income received		119
Principal repayments		(856)
Interest paid		(946)
Net cash flows for capital and related financing activities		15,424
Net change in cash		(9,665)
Cash, beginning of year		71,529
Cash, end of year	$	61,864
Cash in the statements of cash flows is reported in the statements of net position:		
Cash	$	10,961
Funds held by the University		50,903
Total	$	61,864
Reconciliation of net operating income to net cash flows from operating activities:		
Net operating income	$	17,024
Adjustments to reconcile net operating income to net cash flows from operating activities:		
Depreciation		14,084
Non-variable lease revenue		(35,573)
Gain on lease termination		(5,469)
Changes in operating assets and liabilities:		
Security deposits – residential		(7)
Due from Fairmont Olympic Hotel		(17)
Accounts receivable		(1,045)
Other current assets		(185)
Accounts payable and accrued expenses		1,146
Leasehold excise tax payable		10
Unearned rent revenue		(176)
Net cash flows from operating activities	$	(10,208)
Non-cash activity:		
Purchase of improvements not paid for with cash at year-end	$	736

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, 1200 5th Avenue (formerly 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 1200 5th Avenue has 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 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 Rainier Tower due to its proximity to the Rainier Square Site (see below and Note 6).

The University contracted with Unico to perform leasing services for all of the office properties on the Metropolitan Tract.

(a) 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 commencement of the development of a 58-story mixed use retail, office, and residential building called the Rainier Square Tower (see Note 6). 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.

(b) 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). 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

(a) Basis of Accounting

These financial statements present only a selected portion of the activities of the University of Washington. As such, the financial position and changes in financial net position of the Metropolitan Tract do not purport to, and do not, present the financial position of the University of Washington or the changes in its financial net position, and related deferred inflows and outflows of resources, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (US GAAP). The financial statements of the Metropolitan Tract have been prepared in accordance with accounting standards established by the Governmental Accounting Standards Board (GASB). The Metropolitan Tract is a department of the University reporting as a special –purpose government engaged in business-type activities (BTA). 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. For leases with a maximum possible term of 12 months or less at commencement, the Metropolitan Tract recognized revenue based on the provisions of the lease contract.

Significant revenue recognition and related expense policies are as follows:

- The Metropolitan Tract determines if an arrangement is a lease at inception of the lease contract. Lessor arrangements are included in lease receivables and deferred inflows of resources in the statements of net position. The deferred inflows of resources related to leases are recognized as lease revenue on a straight-line basis over the lease term. Interest revenue is recognized ratably over the contract term on a straight-line basis.

- 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 expenses.
- All other indirect expenses not related to the direct operating or property management expenses are recorded as general and administrative expenses.
- Non-operating revenues and expenses are activities that are not related to rental activities, including other interest income and interest expense.

(b) Cash

Cash represents operating cash held in financial institutions for various properties on behalf of the University. Cash includes cash on hand, petty cash and bank deposits. Cash equivalents represent investments in highly liquid instruments with original maturities of three months or less from the date of purchase. Cash balances held in the trust and other cash balances may exceed federally insured limits during the year.

(c) 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, 2024, these letters of credit amounted to $980,000.

(d) 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, 2024, the balance of allowance for uncollectible accounts amounted to $13,000.

(e) Long-term Receivable – Waterfront Local Improvement District

Long-term receivable are amounts due from tenants for certain property tax assessments to be recovered over 20 years (see Note 9).

(f) Due from Fairmont Olympic Hotel

Amounts due from the Fairmont Olympic Hotel consist primarily of leasehold improvement taxes and rent.

(g) Leases

Lessor arrangements are included in lease receivables and deferred inflows of resources in the statements of net position. Lease receivables represent the Metropolitan Tract's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at the commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized using the effective interest method. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue on a straight-line basis over the lease term.

(h) Capital Assets, Net

Land and buildings are recorded at historical cost 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 $5,000 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 to 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 year ended June 30, 2024.

(i) 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 2024.

(j) 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.

(k) Unearned Rent Revenue

Unearned Rent Revenue are tenant rent payments received in advance that are deferred until the period to which the payments relate.

(l) Subsidy to UW Facilities Bond Retirement Account

During the year ended June 30, 2024, $14 million was distributed from the Metropolitan Tract to the University's Facilities Bond Retirement Account, a fund of the University of Washington. The subsidy is determined annually based on cash available after consideration of future operating and capital expenses, and adequacy of reserves.

(m) Property Management Fees

Property management fees are included in 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 $427,000 and $266,000, respectively, for the year ended June 30, 2024. Blanton Turner serves as a sub-contractor to Unico for the Cobb Building under the University's property management agreement with Unico.

(n) 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.

(o) Income Taxes

As part of the University, the Metropolitan Tract is exempt from federal income taxes unless it earns unrelated business income. Unrelated business tax was not significant to the financial statements taken as a whole at June 30, 2024.

(p) 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.

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 year ended June 30, 2024, the rate determined by the University was zero for both years.

(3) Funds Held by the University

The Departments cash and investments are managed by the University through the Treasurer of the Board of Regents.

Pooled investments held on behalf of the Metropolitan Tract by the University are recorded at the Metropolitan Tract's share of the carrying value of the University of Washington Cash and Liquidity Pools which totaled $50,903,000 as of June 30, 2024. The Cash and Liquidity Pools were invested as follows at June 30, 2024.

Asset Backed – Non Agency	$	18.70 %
Cash Equivalent		2.10
Other		13.40
Mortgage Backed – Non Agency		5.40
Treasuries and Agencies		60.40
Total		100.00 %

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

(4) Capital Assets, Net

Capital asset activity for the year ended June 30, 2024, is summarized as follows (amounts in thousands):

	Year ended June 30, 2024				
	2023	Additions	Transfers and Adjustments	Disposals and Other	2024
Capital assets, not being depreciated:					
Land	$ 9,974	—	—	—	9,974
Construction in progress	22,368	28,244	(26,453)	—	24,159
Total capital assets not being depreciated	32,342	28,244	(26,453)	—	34,133
Capital assets, being depreciated:					
Land improvements	793	—	—	—	793
Buildings	77,877	—	—	—	77,877
Tenant improvements	90,757	—	6,980	(1,956)	95,781
Modernizations	190,948	348	19,473	—	210,769
Furniture, fixtures, and equipment	525	—	—	—	525
Total capital assets being depreciated	360,900	348	26,453	(1,956)	385,745

	Year ended June 30, 2024				
	2023	**Additions**	**Transfers and Adjustments**	**Disposals and Other**	**2024**
Less accumulated depreciation:					
Land improvements	793				793
Buildings	67,420	853	—	—	68,273
Tenant improvements	67,193	5,898	—	(1,956)	71,135
Modernizations	99,718	7,286	—	—	107,004
Furniture, fixtures, and equipment	308	47	—	—	355
Total accumulated depreciation	235,432	14,084	—	(1,956)	247,560
Capital assets, net	$ 157,810	14,508	—	—	172,318

Depreciation expense for the year ended June 30, 2024 was $14,084,000.

(5) Leases

The Metropolitan Tract buildings and ground space are leased to external parties. The leases expire at various dates through 2097 and provide for renewal options ranging from one year to 25 years. The Metropolitan Tract records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Amounts recognized for variable and other payments not included in the measurement of the lease receivable is $24.4 million as of June 30, 2024. The amount recorded as deferred inflows of resources related to these leases was $284.4 million at June 30, 2024. The Metropolitan Tract recognized revenues (rent and interest) related to lease agreements totaling $75.4 million as of June 30, 2024.

Future minimum lease payments to be received under lessor agreements are as follows (amounts in thousands):

		Principal	Interest	Total
Year ending June 30:				
2025	$	28,933	9,488	38,421
2026		27,186	8,449	35,635
2027		24,767	8,044	32,811
2028		17,835	7,737	25,572
2029		13,267	7,073	20,340
2030–2034		34,841	29,518	64,359
2035–2039		10,494	25,072	35,566
2040–2044		5,756	24,053	29,809
2045–2049		6,801	23,541	30,342
2050–2054		8,020	22,924	30,944
2055−2059		9,458	22,167	31,625
2060–2064		11,146	21,249	32,395
2065−2069		13,155	20,113	33,268
2070−2074		15,513	18,741	34,254
2075−2079		18,295	17,075	35,370
2080−2084		18,020	15,112	33,132
2085−2089		11,933	8,629	20,562
2090−2094		18,201	3,977	22,178
2095−2099		14,433	809	15,242
	$	308,054	293,771	601,825

(6) Fairmont Olympic Hotel Lease

The amended and restated Hotel Lease commenced in May 2019, with the hotel lease expiring on June 30, 2083 and the garage lease expiring on September 30, 2040. Rent is determined based on the greater of minimum rent of $3,500,000 per year for the hotel or:

- The greater of 6% of the total of gross room revenue plus gross food and beverage revenue for such lease year, or 12% of the gross room revenue only (nothing for gross food and beverage revenue).
- 4.4% of gross garage revenue.
- 12% of gross retail revenue and miscellaneous revenue.
- 9% of gross office revenue.

Minimum future rental income under the Hotel Lease is as follows (amounts in thousands):

	Principal	Interest	Total
Year ending June 30:			
2025	$ 509	2,991	3,500
2026	526	2,974	3,500
2027	544	2,956	3,500
2028	554	2,946	3,500
2029	581	2,919	3,500
2030–2034	3,200	14,300	17,500
2035–2039	3,774	13,726	17,500
2040–2044	4,443	13,057	17,500
2045–2049	5,248	12,252	17,500
2050–2054	6,189	11,311	17,500
2055−2059	7,299	10,201	17,500
2060–2064	8,603	8,897	17,500
2065−2069	10,151	7,349	17,500
2070−2074	11,972	5,528	17,500
2075−2079	14,118	3,382	17,500
2080−2084	13,097	903	14,000
	$ 90,808	115,692	206,500

(7) Rainier Square Site Redevelopment

(a) RSQ Tower Lease

The RSQ Tower Lease commenced on September 12, 2017, has an 80 year term, is unsubordinated, and rent is 8% of adjusted gross revenue from the project. Minimum rents for the first five years of the lease are to be $413,000 per lease year, increasing to $1,652,000 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

$1,652,000). Future minimum lease payments to be received under the lease agreement as of June 30, 2024 are as follows (amounts in thousands):

	Principal	Interest	Total
Year ending June 30:			
2025	$ —	1,652	1,652
2026	—	1,652	1,652
2027	—	1,652	1,652
2028	—	1,652	1,652
2029	—	1,652	1,652
2030–2034	—	8,261	8,261
2035–2039	916	7,345	8,261
2040–2044	1,313	6,948	8,261
2045–2049	1,553	6,708	8,261
2050–2054	1,831	6,430	8,261
2055–2059	2,159	6,101	8,260
2060–2064	2,544	5,717	8,261
2065–2069	3,003	5,258	8,261
2070–2074	3,542	4,719	8,261
2075–2079	4,177	4,084	8,261
2080–2084	4,924	3,337	8,261
2085–2089	5,809	2,452	8,261
2090–2094	6,851	1,410	8,261
2095–2099	4,961	271	5,232
	$ 43,583	77,301	120,884

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.

(b) 400 University

The 400 University Lease commenced on January 1, 2020, and has 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 first three lease years is $250,000, $375,000, and $500,000.

Future minimum lease payments to be received under the lease agreement as of June 30, 2024 are as follows (amounts in thousands):

	Principal	Interest	Total
Year ending June 30:			
2025	$ —	532	532
2026	—	545	545
2027	—	559	559
2028	—	573	573
2029	—	587	587
2030–2034	—	3,163	3,163
2035–2039	—	3,579	3,579
2040–2044	—	4,049	4,049
2045–2049	—	4,581	4,581
2050–2054	—	5,183	5,183
2055−2059	—	5,864	5,864
2060–2064	—	6,635	6,635
2065−2069	—	7,507	7,507
2070−2074	—	8,493	8,493
2075−2079	—	9,609	9,609
2080−2084	—	10,872	10,872
2085−2089	6,124	6,177	12,301
2090−2094	11,350	2,567	13,917
2095−2099	9,472	538	10,010
	$ 26,946	81,613	108,559

(8) Long-Term Debt

In 2014, the University's Treasury Department issued general revenue and refunding bond (GRB) 2015, 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, 2024 was $26.5 million. 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):

Beginning balance	$ 27,316
Payments	(856)
Total	26,460
Less current portion	(875)
Non-current portion	$ 25,585

The following is a summary of future payments (principal and interest) to be paid to the University (amounts in thousands):

	Principal	Interest	Total
Year ending June 30:			
2025	$ 875	920	1,795
2026	905	894	1,799
2027	935	864	1,799
2028	965	833	1,798
2029	995	802	1,797
2030–2034	5,511	3,478	8,989
2035–2039	6,584	2,420	9,004
2040–2044	7,920	1,083	9,003
2045	1,770	33	1,803
	$ 26,460	11,326	37,786

(9) Related Party Transactions

The University rents office space in the Metropolitan Tract, and the leases expire at various dates through 2025. The lease revenues recorded from the University tenants for the year ended June 30, 2024 was $694,000.

(10) City of Seattle Waterfront Local Improvement District (LID)

As part of the City of Seattle (City) waterfront transformation program, the City Council established an 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.

A certain portion of the assessment is recoverable through contracted leasing arrangements. For the year ended June 30, 2024 approximately $2.4 million is recorded as a long-term receivable in the statements of net position.

SUPPLEMENTAL INFORMATION

UNIVERSITY OF WASHINGTON METROPOLITAN TRACT
(A Department of University of Washington)

Details of Capital Assets

Year ended June 30, 2024

(amounts in thousands)

	Cobb Building	Skinner Building	Puget Sound Plaza	1200 5th Ave	Rainier Tower	Financial Center	Fairmont Olympic Hotel	Fairmont Olympic Garage	Total
Building, Tenant improvements, and modernizations:									
Buildings	$ 752	2,037	9,113	8,413	25,252	16,984	12,535	2,791	77,877
Tenant improvements	—	8,203	16,654	14,468	39,644	16,812	—	—	95,781
Modernizations	47,145	36,514	29,728	20,330	56,399	20,653	—	—	210,769
Construction in progress	153	8,767	1,074	1,716	11,474	975	—	—	24,159
Furniture, fixtures, and equipment	354	3	11	17	95	45	—	—	525
Total buildings, tenant improvements, and modernizations	48,404	55,524	56,580	44,944	132,864	55,469	12,535	2,791	409,111
Less: accumulated depreciation and amortization:									
Buildings	(752)	(2,037)	(9,113)	(8,413)	(19,991)	(14,578)	(10,598)	(2,791)	(68,273)
Tenant improvements	—	(7,146)	(13,291)	(10,047)	(27,453)	(13,198)	—	—	(71,135)
Modernizations	(21,911)	(20,134)	(17,678)	(13,696)	(20,189)	(13,396)	—	—	(107,004)
Furniture, fixtures, and equipment	(242)	(3)	(11)	(12)	(44)	(43)	—	—	(355)
Total accumulated depreciation and amortization	(22,905)	(29,320)	(40,093)	(32,168)	(67,677)	(41,215)	(10,598)	(2,791)	(246,767)
Net investment	25,499	26,204	16,487	12,776	65,187	14,254	1,937	—	162,344
Land [a]	—	—	—	—	—	—	—	—	9,974
Land improvements [a]	—	—	—	—	—	—	—	—	793
Less: accumulated depreciation [a]	—	—	—	—	—	—	—	—	(793)
Net land and land improvements	—	—	—	—	—	—	—	—	9,974
Net investment including land and land improvements	$ 25,499	26,204	16,487	12,776	65,187	14,254	1,937	—	172,318

(a) land not allocated between properties.

See accompanying independent auditor’s report.

STUDENT FACILITIES FEES
—SEATTLE CAMPUS

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, 2024 and 2023
With Independent Auditor's Report

Perkins & Co

STUDENT SERVICES AND FACILITIES FEES - SEATTLE CAMPUS

Administered by the Division of Student Life of the University of Washington

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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, 2024 and 2023, 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, 2024 and 2023, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.
- 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Student Services and Facilities Fees' 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.

Perkins & Company P.C.

Portland, OR
January 23, 2025

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,	2024	2023
Total Cash Receipts	$ 37,698,123	$ 32,834,591
Debt Service		
Principal - ILP - IMA Bonds & Locker Room/Pool Upgrades	(2,733,252)	(2,305,833)
Principal - ILP - Student Facilities Renovation	(3,277,638)	(3,149,329)
Interest - ILP - IMA Bonds & Locker Room/Pool Upgrades	(1,143,185)	(1,114,937)
Interest - ILP - Student Facilities Renovation	(3,646,490)	(3,774,798)
Financing Costs - ILP - IMA Locker Room/Pool Upgrades	(38,500)	-
Total Debt Service Payments	(10,839,065)	(10,344,897)
Cash Receipts Available after Debt Service	26,859,058	22,489,694
Other Cash Disbursements		
Hall (Husky) Health Center	6,263,702	5,786,276
Recreation	3,139,501	3,052,599
Student Counseling Center	2,350,015	2,179,867
Student Activities and Union Facilities	1,845,097	1,787,083
Childcare Assistance Program	1,752,442	1,746,486
Associated Students of the University of Washington	1,396,580	1,337,282
Ethnic Cultural Center	1,365,740	1,275,271
Q Center	604,635	585,835
Graduate and Professional Student Senate	484,299	462,152
Student Publications	412,750	382,176
Campus Sustainability Fund	406,062	396,338
Student Legal Services	327,739	317,441
Student Veteran Life	251,170	237,078
Classroom Support Services / Student Technology Loan Program	231,363	215,963
Intellectual House	214,909	201,009
LiveWell / Peer Health Education	187,921	183,385
D Center	152,055	146,886
Food Pantry	87,337	76,012
Services and Activities Committee Operations	68,297	66,024
Total Other Cash Disbursements	21,541,614	20,435,163
Excess of cash receipts over cash disbursements before transfers	5,317,444	2,054,531
Transfers		
Transfer to Recreation for capital projects	-	(15,000,000)
Change in Cash Balances	5,317,444	(12,945,469)
Cash Balance, beginning of year	12,602,719	25,548,188
Cash Balance, end of year	$ 17,920,163	$ 12,602,719

See notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations - 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, and Hall (Husky) Health Center. 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 by Student Services and Facilities Fees during the fiscal years ended June 30, 2024 and 2023. 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, 2024 and 2023, 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, 2024 and 2023, $30,000 and $0, 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, 2024 and 2023, $0 and $15,000,000, respectively, was transferred from the Student Facilities Renovation and IMA Bond Fees (included in cash balances held by Student Services and Facilities Fees) to Recreation for the IMA locker room and pool upgrade capital projects.

NOTE 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 $1,095,735 and $950,834 on the last business day of the years ended June 30, 2024 and 2023, respectively.

In June 2024, the Board of Regents accepted proposed disbursements for the year ending June 30, 2025, totaling $22,477,269.

NOTE 3 – INTERNAL LENDING PROGRAM – IMA BONDS AND LOCKER ROOM/POOL UPGRADES

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 (ILP).

At June 30, 2024, the principal amount of the debt outstanding was $17,572,500. Interest on this debt matches the 2005 external bond payment schedule and approximates 5%. The monthly payments are reset annually on August 1 to reflect the following year of external debt. Since the interest on this loan is fixed to the external debt service payments, the interest rate will not change as the ILP internal interest rate changes. 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, 2024 and 2023.

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
2025	$ 2,544,583	$ 878,625	$ 3,423,208
2026	2,669,583	751,396	3,420,979
2027	2,803,750	617,917	3,421,667
2028	2,943,333	477,729	3,421,062
2029	3,092,500	330,563	3,423,063
2030	3,518,751	189,521	3,708,272
	$ 17,572,500	$ 3,245,751	$ 20,818,251

During the year ended June 30, 2024, Student Services and Facilities Fees began making debt service payments on a loan issued by the ILP to finance the cost of the IMA Locker Room and Pool Upgrades project.

At June 30, 2024, the principal amount of the debt outstanding was $5,225,665. The interest rate is 4.0% for the year ended June 30, 2024. The interest rate is reviewed each year and is subject to adjustment by the Board of Regents. Loan payments began in November 2023 with a 10-year amortization and term. The final loan payment is due in July 2033. A financing charge of $38,500 was incurred during the year ended June 30, 2024.

Borrowings are being repaid by the IMA Bond Fees, which are included in the Student Services and Facilities Fees cash receipts for the year ended June 30, 2024.

The following is a summary of future payments (principal and interest) to be paid to cover the IMA Locker Room and Pool Upgrades debt service payments for the years ending June 30:

	Principal	Interest	Total
2025	$ 486,915	$ 200,164	$ 687,079
2026	506,752	180,327	687,079
2027	527,398	159,681	687,079
2028	548,885	138,194	687,079
2029	571,247	115,831	687,078
2030 - 2034	2,584,468	221,103	2,805,571
	$ 5,225,665	$ 1,015,300	$ 6,240,965

NOTE 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 (Husky) Health Center, and the Ethnic Cultural Center, respectively. At June 30, 2024, the principal amount of the debt outstanding on these borrowings was $73,135,910, $5,213,247, and $11,026,873 for the Husky Union Building, the Hall (Husky) Health Center, and the Ethnic Cultural Center, respectively (total of $89,376,030). The interest rate is reviewed each year and is subject to adjustment by the Board of Regents. The interest rate is 4.0% for the years ended June 30, 2024 and 2023. Loan payments began in October 2011 for the Hall (Husky) 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, 2024 and 2023.

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
2025	$ 3,411,174	$ 3,512,954	$ 6,924,128
2026	3,550,150	3,373,977	6,924,127
2027	3,694,789	3,229,339	6,924,128
2028	3,845,320	3,078,807	6,924,127
2029	4,001,984	2,922,143	6,924,127
2030 – 2034	22,592,609	12,028,029	34,620,638
2035 – 2039	27,585,499	7,035,139	34,620,638
2040 – 2043	20,694,505	1,390,047	22,084,552
	$ 89,376,030	$ 36,570,435	$ 125,946,465

The ratio of cash receipts to all debt service payments (IMA bonds, IMA Locker Room/ Pool Upgrades, and Student Facilities Renovation) for the years ended June 30 were as follows:

2023	3.2 to 1
2024	3.5 to 1

NOTE 5 – CONTINGENCIES

The University is periodically involved in litigation and administrative proceedings arising in the normal course of its operations, which may impact Student Services and Facilities Fees. The ultimate disposition of these contingencies cannot be predicted with certainty at this time.

NOTE 6 – SUBSEQUENT EVENTS

Student Services and Facilities Fees has evaluated subsequent events through January 23, 2025, which is the date these financial statements were available to be issued.