2022 BONDHOLDERS REPORT

UNIVERSITY *of* WASHINGTON | TREASURY OFFICE

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2022 **BONDHOLDERS REPORT**

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UNIVERSITY OF WASHINGTON

2022 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, 2022, the University's fiscal year end.

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

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

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UNIVERSITY *of* WASHINGTON

2022 FINANCIAL REPORT

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University Facts

	FISCAL YEAR 2022 Academic Year 2021-2022	FISCAL YEAR 2017 Academic Year 2016-2017	FISCAL YEAR 2012 Academic Year 2011-2012
STUDENTS			
Autumn Enrollment (headcount)			
Undergraduate	42,588	40,832	36,192
Graduate	15,348	13,896	12,574
Professional	2,170	2,081	1,979
TOTAL	**60,106**	**56,809**	**50,745**
Professional and Continuing Education - Course and Conference Registrations	65,455	82,949	70,823
Number of Degrees Awarded			
Bachelor's	11,913	10,626	9,853
Master's	5,184	4,454	3,635
Doctoral	778	766	712
Professional	584	574	565
TOTAL	**18,459**	**16,420**	**14,765**
FACULTY[1]	5,602	4,707	4,280
FACULTY AND STAFF[2]	32,056	31,264	25,523
RESEARCH FUNDING - ALL SOURCES *(in thousands of dollars)*	$ 1,670,746	$ 1,628,539	$ 1,365,002
SELECTED REVENUES *(in thousands of dollars)*			
Medical Centers and Related Revenues[3]	$ 4,454,003	$ 2,509,177	$ 1,862,557
Gifts, Grants and Contracts	1,963,097	1,571,890	1,425,659
Auxiliary Enterprises and Other Revenues	1,148,431	659,195	413,528
Tuition and Fees[4]	1,125,269	941,873	681,227
State Operating Appropriations	484,915	341,971	218,343
Investment Income	(451,870)	443,383	34,123
SELECTED EXPENSES *(in thousands of dollars)*			
Medical-Related[3]	$ 3,856,611	$ 2,260,315	$ 1,709,781
Instruction, Academic Support, and Student Services	2,339,020	1,895,544	1,328,790
Research and Public Service	981,536	807,225	817,370
Institutional Support and Physical Plant	861,695	809,910	608,810
Auxiliary Enterprises	593,392	495,375	194,949
CONSOLIDATED ENDOWMENT FUND[5] *(in thousands of dollars)*	$ 4,678,000	$ 3,144,000	$ 2,111,000
SQUARE FOOTAGE[6] *(in thousands of square feet)*	29,337	24,329	21,428

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 2022 only)
4. Net of scholarship allowances of $189.1 million in 2022, $159.2 million in 2017 and $133.2 million in 2012
5. Stated at fair value
6. Gross square footage, all campuses

KPMG LLP
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Independent Auditors' Report

The Board of Regents
University of Washington:

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 statements of net position and statements of fiduciary net position as of June 30, 2022 and 2021, and the related statements of revenue, expenses and changes in net position, statements of changes in fiduciary net position, and, where applicable, statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the years then ended.

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, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

Reporting Entity

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 that portion of the governmental activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Washington that is attributable to the transactions of the University of Washington and its aggregate 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, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in note 1 to the financial statements, in fiscal year 2022, the University adopted the provisions of Governmental Accounting Standard Board (GASB) Statements No. 87, *Leases*. Our opinions are 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 6 through 18 and the schedules of required supplementary information on pages 74 through 80 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The University Facts included under the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subject to the auditing 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
October 28, 2022

Management’s Discussion & Analysis

The discussion and analysis below provides an overview of the financial position and activities of the University of Washington ("University") for the fiscal years ended June 30, 2022 and 2021, with comparative financial information for 2020. 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 2022

The University recorded a $472 million increase in net position in 2022 compared to an increase of $1,974 million in 2021. The 2022 operating loss decreased $283 million from the prior year, as growth in operating revenues outpaced expenses and the University benefited from lower costs associated with employee benefits. This was offset by a decline in nonoperating revenues from the prior year, driven by a significant turnaround in investment performance.

Key Financial Results

(in millions)	2022	2021	2020
Total operating revenues	$ 6,571	$ 5,900	$ 5,503
Total operating expenses	6,688	6,300	6,347
Operating loss	(117)	(400)	(844)
State appropriations	485	481	415
Gifts	218	215	220
Investment income (loss)	(452)	1,318	209
Other nonoperating revenues, net	338	360	345
Increase in net position	472	1,974	345
Net position, beginning of year	7,881	5,907	5,578
Cumulative effect of accounting change (described below):			
GASB 84 - Fiduciary Activities	—	—	(16)
Net position, beginning of year as restated	7,881	5,907	5,562
Net position, end of year	**$ 8,353**	**$ 7,881**	**$ 5,907**

Operating Revenues

Operating revenues increased $671 million, or 11%, in 2022. Revenue from patient services increased $235 million, or over 10%, primarily due to increased volumes and higher acuity compared to the prior year. Grant and contract revenue increased $129 million, or 8%, over 2021, while student tuition and fees increased $93 million, or 9%. Sales and services of educational departments increased $48 million due to School of Medicine programs, primarily Lab Medicine - Pathology, which saw continued high demand for COVID-19 testing activities. The University's auxiliary operations, which includes student housing and food services and intercollegiate athletics, among others, showed revenue increases totaling $233 million over the prior year as the COVID-19 pandemic slowed and operations and demand returned closer to historical norms. These were offset by a decrease in other operating revenues due, in part, to lower contract pharmacy revenues.

Operating Expenses

Operating expenses increased $388 million, or 6%, in 2022. Staff salaries and benefits increased $77 million during the year, as the impact of higher costs associated with salaries was offset by reduced costs associated with pensions and employer-paid healthcare. Purchased services expense increased $218 million, or 24%, primarily driven by increased activities associated with medical operations and research programs ($191 million), and higher travel costs due to lifting of COVID-19 mandated travel restrictions ($22 million).

Nonoperating Revenues

Revenues from nonoperating and other sources, net of interest on capital-related debt, decreased $1,788 million, or (72%), in 2022. Investment results were the primary driver, decreasing $1,770 million, or (134%), in 2022 due to a decline in investment returns on the University's endowment and operating funds. Other nonoperating revenues decreased $32 million, driven by a reduction in federal COVID-19 funding received by the University (see below).

COVID-19

The COVID-19 pandemic has had widespread impacts on societal and economic conditions at a local, national and global level, and has had a significant impact on the University's operations. Financial and liquidity support has been received from federal and state sources and has helped the University to address the negative impacts from COVID-19. This support was provided by the following programs:

- Medicare Advance Payment Program (MAPP)
- Coronavirus Aid, Relief and Economic Security Act (CARES Act) Provider Relief Fund
- CARES Act Higher Education Emergency Relief Fund (HEERF)
- CARES Act Federal Insurance Contributions Act (FICA) Deferral
- CARES Act Paycheck Protection Program
- Federal Emergency Management Agency (FEMA) Public Assistance Program
- Emergency funding appropriated to the University by the state of Washington

In total, the University has recorded revenues of $162 million, $175 million and $95 million in fiscal years 2022, 2021 and 2020, respectively, in relation to this COVID-19 support. These amounts exclude amounts received by the

University's discrete component units, Valley Medical Center and Fred Hutchinson Cancer Center.

Changes in Accounting Standards

The following changes in GASB accounting standards have been implemented by the University and had a material impact on the financial statements:

Statement No. 87, "Leases" - This Statement was effective for fiscal year 2022, and changed the accounting and financial reporting for leases by establishing a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This Statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees are now required to recognize a lease liability and an intangible right-to-use (ROU) lease asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources. As a result of the implementation, the University has applied the standard retroactively to the period ending June 30, 2021. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2021 have been restated to conform with the requirements of this Statement and the current year presentation.

Restatement of the 2021 Statement of Net Position resulted in the addition of over $1 billion to the University's assets ($700 million ROU assets added to "capital assets, net", $334 million added to "lease receivables, net of current portion" and $43 million added to "accounts receivable" for the current portion of lease receivables). GASB 87 also added over $1 billion to the University's 2021 liabilities and deferred inflows ($720 million of lease liabilities added to "long-term liabilities, and $367 million added to "deferred inflows of resources").

Statement No. 84, "Fiduciary Activities" - This Statement was effective for fiscal year 2021, and established criteria for identifying and reporting fiduciary activities of all state and local governments. Governments with activities meeting the criteria are now required to present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Custodial assets held for three months or less are exempt from the reporting requirements. To reflect the changes resulting from this implementation the University added the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows for the fiscal year ending June 30, 2020 were restated to conform with this Statement and current presentation. As a result of the reporting changes described above, net position was restated at July 1, 2019 by a decrease of $16 million.

Changes in Reporting

Formation of 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 $286 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 and to coordinate through separate affiliation agreements with FHCC and UW Medicine. 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.

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. With this new arrangement, the University no longer holds a membership interest in SCCA. The University agreed to a restructuring of the SCCA joint venture by transitioning to a non-member entity and rebranding. The University's former economic rights as a joint venture member were transformed into contractual rights including, among other provisions, a payment right extending perpetually. The University's investment in FHCC is recorded within its Statements of Net Position and reflects the integrated adult oncology program. The Restructuring Agreement includes a Financial Alignment Plan, under which both parties share in the objectives of the integrated adult oncology program and drive site neutrality for cancer services for the betterment of patient outcomes. FHCC is presented as a discrete component unit due to the significant level of integration with the University, therefore, its financial position at June 30, 2022, and results of operations for the fiscal year ended June 30, 2022, are reported in a separate column for financial statement presentation purposes (see note 1 to the financial statements).

Presentation of Metropolitan Tract

The Metropolitan Tract is located in downtown Seattle, and comprises approximately 11 acres of developed property including office space, retail space, residential apartments, parking, and a luxury hotel (see note 1 to the financial statements). The Metropolitan Tract's assets, liabilities, deferred inflows and net position, along with associated revenues and expenses, are shown together with the University on the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. This presentation has changed from prior years, when the Metropolitan Tract was shown condensed to one line of each financial statement. The change in presentation resulted from the implementation of GASB Statement No. 87, "Leases", due to the significance of the lessor lease receivables and deferred inflows attributable to the Metropolitan Tract. This change has been applied retroactively by restating fiscal year 2021 results.

Change in Accounting Estimate

On July 1, 2020, the state of Washington established a trust for contributions paid by the University for the benefit of the University of Washington Supplemental Retirement Plan (UWSRP) in accordance with Revised Code of Washington 41.50.075. As a result, the applicable accounting guidance for the UWSRP changed to GASB codification section P20 "Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specific Criteria." This event gave rise to a change in the University's estimates of future obligations, deferrals and pension expense related to the UWSRP. Specifically, $61 million of contributions paid to the state in prior years and recognized as expense have been placed into a qualifying trust by the state and attributed to the University. These are reported as "capital grants, gifts and other" on the Statements of Revenues, Expenses and Changes in Net Position for fiscal year 2021. The University now reports the plan's net pension liability (total pension liability less the plan's fiduciary net position). Prior to this change in estimate the University reported the plan's total pension liability. In addition, under GASB section P20 the discount rate used to value the ending liability changed to the expected investment return on plan assets. As such, the University changed from using the Bond Buyer's 20 Bond Index (2.21% for the fiscal year 2020 liability) to using the expected investment return on plan assets (7.40% for the fiscal year 2021 liability).

Using the Financial Statements

The University's financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. GASB standards require that financial statements be presented on a consolidated basis in order to focus on the University as a whole. These financial statements include the following components:

- Independent Auditors' Report presents an unmodified opinion prepared by the University's auditors, KPMG LLP.
- Statements of Net Position present the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the University at a point in time (June 30, 2022 and 2021). Their purpose is to present a financial snapshot of the University. This statement aids the reader in determining the assets available to continue the University's operations, how much the University owes to employees and vendors, whether the University has any deferred outflows or inflows other than assets or liabilities, and provides a picture of net position and its availability for expenditure by the University.
- Statements of Revenues, Expenses and Changes in Net Position present the total revenues earned and expenses incurred by the University for operating, nonoperating and other related activities, during a period of time (the fiscal years ended June 30, 2022 and 2021). Their purpose is to assess the University's operating and nonoperating activities.
- Statements of Cash Flows present cash receipts and payments of the University during a period of time (the fiscal years ended June 30, 2022 and 2021). Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.
- Statements of Fiduciary Net Position present the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and fiduciary net position of the University's custodial funds at a point in time (June 30, 2022 and 2021).
- Statements of Changes in Fiduciary Net Position present the additions and deductions from the University's custodial funds during a period of time (the fiscal years ended June 30, 2022 and 2021).
- Notes to the Financial Statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

The University has had a strategic alliance with Valley Medical Center, a Washington public hospital district, since 2011. GASB standards require that this entity be presented as a discrete component unit of the University since it has a separate board of trustees, it does not provide services exclusively to the University, and it is not a nonprofit corporation of which the University is the sole corporate member; therefore, its financial position at June 30, 2022 and 2021, and results of operations for the fiscal years ended June 30, 2022 and 2021, are reported in a separate column for financial statement presentation purposes (see note 1 to the financial statements).

The analysis that follows includes the consolidated balances of the University of Washington and its blended component units, but excludes the financial position and results of operations of Valley Medical Center 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, 2022, 2021 and 2020 is shown below:

Summarized Statements of Net Position

(in millions)	2022	2021	2020
Current assets	$ 2,760	$ 2,754	$ 2,030
Noncurrent assets:			
Capital assets, net	5,892	5,810	4,972
Investments, net of current portion	6,746	6,833	5,516
Other	2,131	815	567
Total assets	17,529	16,212	13,085
Deferred outflows	788	742	639
Total assets and deferred outflows	18,317	16,954	13,724
Current liabilities	1,691	1,686	1,488
Noncurrent liabilities:			
Bonds payable	2,387	2,407	2,395
Pensions and OPEB	2,190	2,256	2,740
Other	1,228	1,138	359
Total liabilities	7,496	7,487	6,982
Deferred inflows	2,468	1,586	835
Total liabilities and deferred inflows	9,964	9,073	7,817
Net position	**$ 8,353**	**$ 7,881**	**$ 5,907**

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 $1,069 million in 2022, and $1,068 million in 2021, reflects the continuing ability of the University to meet its short-term obligations.

Current assets were mostly unchanged in 2022, as a $124 million increase in short-term investments and a $21 million increase cash and cash equivalents was offset by a $150 million decrease in accounts receivable, which resulted primarily from a decrease in amounts due from pending sales of investments. Current assets increased $724 million, or 36%, in 2021 driven by a $365 million increase in short-term investments resulting from a recovery in market values for the University's short term investments. Accounts receivable, net of allowances, also increased $312 million during the year.

Current liabilities increased $5 million, or 0%, in 2022. The current portion of long-term liabilities decreased $62 million, driven by recoupment of amounts received for the Medicare Advance Payment Program. Unearned revenues also decreased $52 million, as $40 million of state appropriations and $24 million of FEMA expedited funding were recognized as revenue during the year. These were offset by a $45 million increase in commercial paper debt. Current liabilities increased $198 million, or 13%, in 2021. The current portion of long-term liabilities drove the increase, reflecting upcoming recoupment of amounts received for the Medicare Advance Payment Program, and payment of social security taxes deferred according to the CARES Act FICA Deferral. The increase also reflects $56 million from first time recognition of the current portion of lessee lease liabilities resulting from the implementation of GASB 87.

Noncurrent assets increased $1,311 million, or 10%, in 2022. Net pension assets increased $1,129 million during the year, reflecting unusually strong investment returns during the 2021 measurement period of the retirement plans administered by the Department of Retirement Systems (DRS). $170 million of the increase in noncurrent assets primarily reflects the difference between recording the new investment in FHCC during year for $429 million, and removal of the $259 million equity share of the SCCA joint venture which merged with FHCC and was recorded in "other noncurrent assets". The difference between these values primarily reflects the University's $143 million note payable to FHCC for the 50% portion of the Seattle Children's Healthcare System (SCHS) membership in SCCA. Noncurrent assets increased $2,403 million, or 22%, in 2021 due to a $1,248 million increase in the market value of the University's long-term investments, $343 million from first time recognition of the long-term portion of lessor lease receivables, and $710 million from first time recognition of lessee "right of use" assets resulting from the implementation of GASB 87.

Noncurrent liabilities increased $4 million, or 0%, in 2022. The University's liability for other post-employment benefits increased $165 million during the year, primarily reflecting an increase in the University's proportionate share of the statewide plan. Long-term liabilities, net of current portion increased $72 million, driven by recording the $143 million payable to FHCC for the University's 50% portion of SCHS membership in SCCA. The long-term portion of the reserve for self-insurance also increased $44 million, and was offset by a decrease in items related to COVID-19 funding. Pension liabilities decreased $231 million, driven by the pension plans administered by the DRS which turned to net pension assets during the year as a result of investment gains on plan assets during the 2021 measurement period. Noncurrent liabilities increased $307 million, or 6%, in 2021 partly due to $673 million from first time recognition of the long-term portion of lessee lease liabilities, an increase in the University's Other Post-Employment Benefits (OPEB) liability of $154 million, and $103 million of Medicare advance payments. These were offset by a decrease in pension liabilities of $638 million.

Deferred outflows of resources and deferred inflows of resources primarily represent pension and OPEB-related deferrals, lease-related deferrals, and the University's remainder interest in split-interest agreements. The increase in deferred outflows of $46 million, or 6%, in 2022 primarily pertains to OPEB, which experienced a $35 million increase due to the University's larger proportionate share of the state's overall plan results. The increase in deferred outflows of $103 million, or 16%, in 2021 also primarily pertains to OPEB, which experienced an $89 million increase due to the University's larger proportionate share of the state's overall plan results, and a decrease in the discount rate used to value the total ending liability.

Deferred inflows increased $882 million, or 56%, in 2022, primarily due to an over $1 billion increase attributable to the pension plans administered by the DRS, which report results on a one-year lag. Better than expected returns on DRS plan assets during the fiscal year 2021 measurement period decreased the net pension liability, turning it into a net pension asset for fiscal year 2022. The associated increase to the deferred inflow for these plans is recognized as a reduction of pension expense in the current and future years. Deferred inflows increased $751 million, or 90%, in 2021, primarily due to first time recognition of lessor deferrals related to implementation of GASB 87, and increases in the UWSRP portion resulting from better than expected returns on CREF investments and an increase in the discount rate used to value the ending liability.

Endowment and Other Investments

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

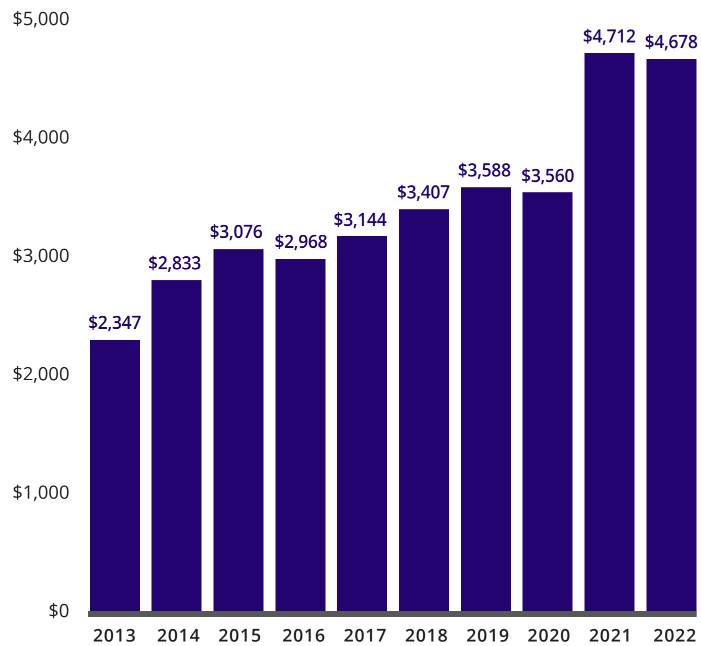
The University of Washington Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the Chief Investment Officer, carries out the day-to-day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

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

The CEF has experienced considerable growth over the past decade due to endowment gifts and investment returns. The number of individual endowments in the CEF has grown significantly, from 3,982 at June 30, 2013 to 5,574 at June 30, 2022. The market value of the CEF has similarly increased, from $2.3 billion at June 30, 2013 to $4.7 billion at June 30, 2022.

Consolidated Endowment Fund Market Value

(in millions)



In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units, starting with a 4.9% spending rate in fiscal year 2020, 4.7% in fiscal year 2021, and then reaching 4.5% in fiscal year 2022. 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 an administrative fee of 0.90% supporting campus-wide fundraising and stewardship activities and offsetting the internal cost of managing endowment assets.

For the fiscal year ended June 30, 2022, the CEF returned -5.5% versus -12.8% for the passive benchmark. CEF performance was mixed across different portfolio strategies.

A portion of the University's operating funds are invested in the CEF. As of June 30, 2022, these funds comprise $1,016 million of the CEF market value.

Capital Improvements

The University continues to expand its campuses, invest in information technology and renovate existing facilities to meet the needs of its students, patients, faculty and staff. Significant capital asset expenditures (greater than $20 million) during fiscal year 2022 included $53 million for the Behavioral Health Teaching Facility, $46 million for the Health Sciences Education Building, $42 million for UW

Finance Transformation, $37 million for Founders Hall (to replace Mackenzie Hall), $27 million toward Milgard Hall located on the UW Tacoma campus, and $21 million toward the Academic STEM building located on the UW Bothell campus.

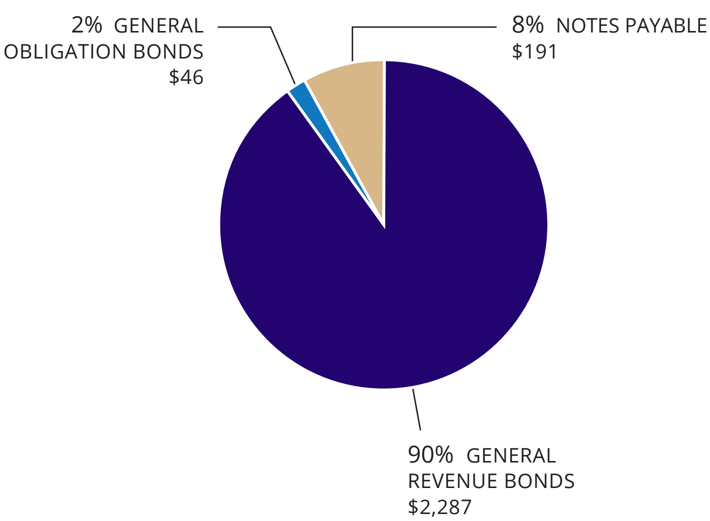
See note 8 for additional information regarding capital asset activity.

Debt

The University's Debt Management Policy 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, Lease Revenue Bonds and state-issued General Obligation Bonds. As of June 30, 2022, the University had $2.5 billion of bonds and notes payable outstanding, an increase of 5.4% from June 30, 2021.

Bonds and Notes Payable
(in millions)



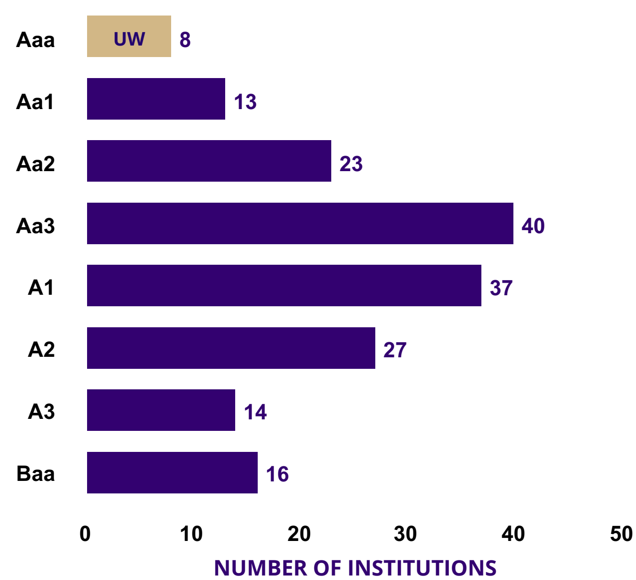
In March 2022, the University issued $75 million of tax-exempt General Revenue Bonds, 2022A with an all-in true interest cost of 2.18%. Proceeds will be used to fund UW Medicine Small-Works projects and the Montlake Campus Membrane Repair project. Additionally, the University issued $209 million of taxable General Revenue and Refunding Bonds, 2022B (Taxable) with an all-in true interest cost of 2.89% and $91 million of tax-exempt General Revenue Refunding Bonds, 2022C (Term Rate Bonds) with an all-in true interest cost of 1.99% through the 5-year mandatory redemption date of August 1, 2027.

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, 2022, there was $70 million in commercial paper outstanding.

The University has two separate $100 million lines of credit with lenders to provide general institutional liquidity. To date, no draws have been made on these lines of credit.

During fiscal year 2022, Moody's (Aaa, Stable) 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 2021
Public College and University Rating Distribution
(As of the June 2022 Moody's Median Report)



The Board of Regents typically authorizes the long-term debt (excluding commercial paper) issuance on a fiscal year basis, and for fiscal year 2023 has authorized up to $120 million. Any increase, other than debt issued to achieve debt service savings and/or to remarket a put or term bond, would require additional approval by the Board.

See note 9 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, 2022, 2021 and 2020 is summarized as follows:

Categories of Net Position

(in millions)	2022	2021	2020
Net investment in capital assets	$ 2,706	$ 2,616	$ 2,532
Restricted:			
Nonexpendable	2,054	1,996	1,883
Expendable	2,874	3,086	2,243
Unrestricted	719	183	(751)
Total net position	**$ 8,353**	**$ 7,881**	**$ 5,907**

Net investment in capital assets increased $90 million, or 3%, in 2022. 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. The increase in this category of net position in 2021 resulted primarily from the presentation change regarding the Metropolitan Tract ($116 million reclassification from "restricted expendable net position").

Restricted nonexpendable net position increased $58 million, or 3%, in 2022 primarily as a result of receiving $83 million in new endowment gifts during the year, offset by a $36 million decrease in the value of endowments that have a market value less than their cost basis. This category of net position increased $113 million, or 6.0%, in 2021 primarily as a result of receiving $78 million in new endowment gifts during the year, together with an $18 million increase in the market value of endowments.

Restricted expendable net position decreased $212 million, or 7%, in 2022. Unrealized losses (net of realized gains) on restricted investments, including endowments, increased $294 million during the year and operating losses were $205 million. These were offset by $248 million in new operating and capital gifts and $49 million of Pell Grants. This category of net position increased $843 million, or 38%, in 2021. Unrealized gains on restricted investments increased $982 million, and unspent operating and capital gifts increased $256 million. These were offset by operating losses of $219 million and a decrease of $116 million related to the presentation change regarding the Metropolitan Tract (reclassification to "net investment in capital assets").

Unrestricted net position increased $536 million, or 293%, in 2022. State operating and capital appropriations contributed $612 million, and amounts received to support the University's response to the COVID-19 pandemic totaled $99 million. These were offset by $122 million of investment losses on unrestricted investments, and $108 million of interest on capital asset-related debt. This category of net position increased $934 million, or 124%, in 2021. State operating and capital appropriations contributed $551 million, investment gains were $339 million, and amounts received to support the University's response to the COVID-19 pandemic totaled $127 million. These were offset by $72 million of operating losses and $87 million of interest on capital asset-related debt.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position present the University's results of operations and nonoperating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or nonoperating. Certain significant revenues budgeted for fundamental operational support of the core missions of the University must be recorded as nonoperating revenue, including state educational appropriations, private gifts, and investment income. As a result, it is anticipated that the Statements of Revenues, Expenses and Changes in Net Position will consistently report an operating loss for GASB financial reporting purposes.

A condensed comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2022, 2021 and 2020 follows:

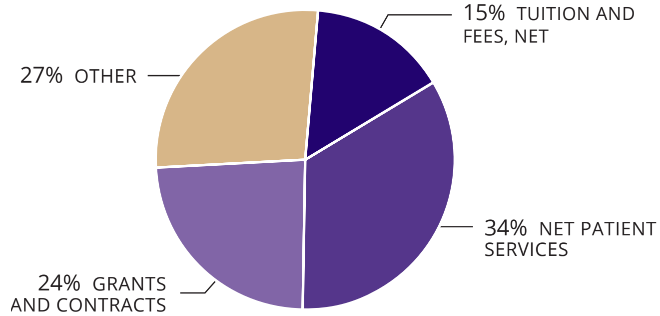
Operating Results

(in millions)	2022	2021	2020
Net patient services	$ 2,443	$ 2,208	$ 2,093
Tuition and fees, net	1,125	1,033	1,058
Grants and contracts	1,696	1,567	1,492
Other operating revenues	1,307	1,092	860
Total operating revenues	6,571	5,900	5,503
Salaries and benefits	3,825	3,748	3,882
Other Operating Expenses	2,863	2,552	2,465
Operating loss	**(117)**	**(400)**	**(844)**
State appropriations	485	481	415
Gifts	218	215	220
Investment income (loss)	(452)	1,318	209
Other nonoperating revenues	446	471	438
Interest on capital asset-related debt	(108)	(111)	(93)
Increase in net position	**$ 472**	**$ 1,974**	**$ 345**

The University's operating loss decreased to $117 million in 2022, from $400 million in 2021. State appropriations are shown as nonoperating revenue, but are primarily used to fund core University operations. If state appropriations were classified as operating revenue, the University would have reported net operating income of $369 million in 2022, and an operating loss of $81 million in 2021.

The University has a diversified revenue base. No single source generated more than 34% of the total fiscal year 2022 revenues of $7.3 billion.

Sources of Funds



The following table summarizes revenues from all sources for the years ended June 30, 2022, 2021 and 2020:

Revenues from All Sources

(in millions)	2022		2021		2020	
Net patient services	$ 2,443	34%	$ 2,208	26%	$ 2,093	31%
Grants and contracts	1,757	24%	1,628	20%	1,555	23%
Tuition and fees, net	1,125	15%	1,033	12%	1,058	16%
Auxiliary enterprises	542	7%	309	4%	420	6%
Sales and services of educational departments	511	7%	463	6%	283	4%
State funding for operations	485	7%	481	6%	415	6%
Gifts	345	5%	332	4%	452	7%
State funding for capital projects	128	2%	70	1%	23	—%
Investment income (loss)	(452)	(6)%	1,318	16%	209	3%
Other	384	5%	543	5%	277	4%
Total revenue - all sources	**$ 7,268**	**100%**	**$ 8,385**	**100%**	**$ 6,785**	**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 three joint ventures. These entities, together with Harborview Medical Center (not included in the University's financial statements – see note 15) and shared services providing IT, accounting, financial services and human resources comprise UW Medicine. UW Medicine is governed and administered as an enterprise of the University whose mission is to improve the health of the public. UW Medicine advances this mission through work in patient care, medical education of physicians and other healthcare providers, and research.

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

UW Medical Center (UWMC) is an 810-bed hospital located on two campuses that provides comprehensive healthcare services to the Puget Sound community and patients from throughout the Pacific Northwest and beyond. UWMC also serves as the major clinical, teaching and research site for students and faculty in Health Sciences at the University. More than 27,000 patients receive inpatient care at UWMC each year. Specialized inpatient care needs are met by the Cancer Center, the Regional Heart Center, the Neonatal Intensive Care Unit and the Organ Transplantation program, among others.

Valley Medical Center (VMC) is a 341-bed acute care hospital and network of clinics that treats more than 15,000 inpatients per year, and is the oldest and largest public hospital district in the state of Washington. VMC's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position are presented 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 Statements 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.

UW Medicine Neighborhood Clinics is a network of clinics with 14 neighborhood locations throughout the greater Puget Sound area, providing primary, urgent and selected specialty care with a staff of 148 healthcare providers.

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

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

Joint Ventures - The University is also a participant in three joint ventures: Seattle Cancer Care Alliance (until March 31, 2022), 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 $2.4 billion in net patient services revenue in fiscal year 2022, compared with $2.2 billion in fiscal year 2021, an increase of $235 million, or 11%, primarily due to increased volumes and higher acuity. UWMC generated 75% of this revenue in 2022 and 78% in 2021. UWMC admissions were 27,583 in 2022 compared with 27,320 in 2021, an increase in admissions of 1%. Surgeries declined 5% for UWMC compared to 2021. The cancellation of non-emergent and elective procedures in 2022, as directed by the Governor of the state of Washington in response to the COVID-19 pandemic, did not occur in 2021 and is the primary reason for the decrease in surgery volumes during the year.

Grant and Contract Revenue

One of the largest sources of revenue (24%) continues to be grants and contracts. Grant and contract revenue is received from federal sponsors, by far the largest component, and also from state, local and nongovernmental sources. Total grant and contract revenue increased $129 million in 2022, compared to an increase of $73 million in 2021.

Federal grant and contract revenue increased $115 million, or 10%, in 2022 due primarily to the continued increase of the National Institutes of Health (NIH) funding from both direct grants and subawards. These grants provided approximately $50 million in funding and support for a variety of biomedical research initiatives. Also, a FEMA (Federal Emergency Management Agency) subcontract from the Washington State Military provided an additional $42 million in funding to assist with the University's response to COVID-19. Federal grant and contract revenue increased $41 million, or 4%, in 2021 due primarily to NIH grant activity. A total of 65 new active NIH grants increased revenue by $22 million, supporting a variety of biomedical research initiatives including research focused on the COVID-19 pandemic.

State and local grant and contract revenue decreased $7 million, or (5)%, in 2022 as several state grants ended or had a reduction in funding. State and local grant and contract revenue increased $24 million, or 19%, in 2021 largely attributable to the Washington College Grant, which grew $23 million during the year as a result of increased support from the state legislature related to appropriations and a higher number of eligible students.

Nongovernmental grant and contract revenue increased $21 million, or 7%, in 2022. The Bill & Melinda Gates Foundation continued to increase funding with a large project for HIV prevention along with sustained support for the Institute for Health Metrics and Evaluation's (IHME) Global Burden of Disease (GBD) enterprise. The GBD provides a tool to quantify health loss from hundreds of diseases, injuries, and risk factors and aims to improve health systems and eliminate disparities. Nongovernmental grant and contract revenue increased $9 million, or 3%, in 2021. Two grants from The Bill & Melinda Gates Foundation contributed to this increase, with a study on COVID-19 therapeutic drug research and a supplemental increase for the IHME's GBD enterprise.

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

Facility and administrative expenses necessary to support grants and contracts are reimbursed by sponsors, along with direct costs, by an indirect cost recovery. The 2022 and 2021 indirect cost recovery rate for research grants was approximately 31 cents on every direct expenditure dollar.

Primary Nongrant Funding Sources

The University relies primarily on student tuition and fees and state appropriations as revenue sources to support its nongrant-funded educational operating expenses.

Operating Support for Instruction

(in millions)	2022		2021		2020	
Operating tuition and fees	$ 765	48%	$ 694	46%	$ 701	48%
Fees for self-sustaining educational programs	360	22%	339	22%	357	24%
Subtotal - tuition and fees	1,125	70%	1,033	68%	1,058	72%
State operating appropriations	485	30%	481	32%	415	28%
Total educational support	**$1,610**	**100%**	**$1,514**	**100%**	**$1,473**	**100%**

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

Revenue from tuition and fees, net of scholarship allowances, increased $92 million in 2022, compared to a decrease of $25 million in 2021. This increase was partially due to the state allowing a 2.8% operating fee increase in resident undergraduate tuition during the year. Nonresident undergraduate operating fees also increased 2.0%, as did most graduate and professional operating fees, while other program rates increased 0-5%. Most fee-based program rates increased 0-5% in 2022. These other fee increases were consistent with those implemented during 2021.

Revenue growth was also partly due to modest increases in student enrollment. Although full-time equivalent (FTE) enrollment in 2022 in undergraduate tuition-and fee-based programs decreased by 3.0% in the resident student category, it increased by 1.3% in the nonresident student category.

Self-sustaining educational programs (fee-supported programs) include the following amounts for each of the fiscal years 2022, 2021 and 2020: Continuum College (the continuing education branch of the University) $141 million, $133 million and $132 million, respectively, summer quarter tuition $68 million, $62 million and $81 million, respectively, and for Business School and School of Medicine programs $74 million, $69 million and $66 million, respectively.

Gifts, Endowments and Investment Revenues

Net investment income (loss) for the years ended June 30, 2022, 2021 and 2020 consisted of the following:

Net Investment Income

(in millions)	2022	2021	2020
Interest and dividends, net	$ 13	$ 73	$ 63
Metropolitan Tract net income	—	—	25
Seattle Cancer Care Alliance change in equity	23	51	25
Realized gains	238	90	171
Unrealized gains (losses)	(726)	1,104	(75)
Net investment income (loss)	**$ (452)**	**$ 1,318**	**$ 209**

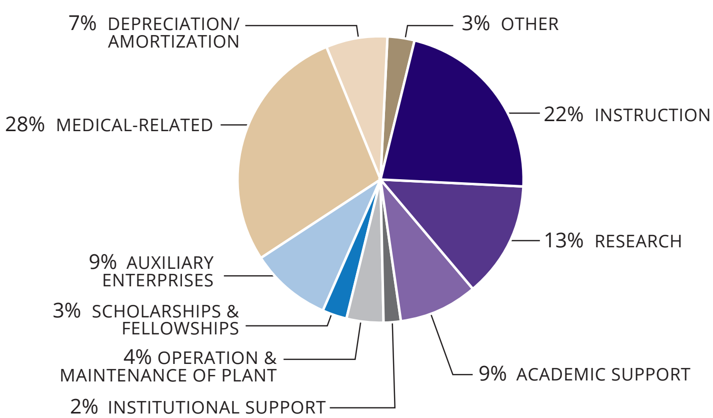
Net investment income decreased $1,770 million, or 134%, in 2022 compared to an increase of $1,109 million, or 531%, in 2021. A sharp rise in unrealized losses during fiscal year 2022 drove this result, and was in contrast to the rise in unrealized gains which drove results in 2021. Returns on the CEF were -5.5% in 2022, +35.1% in fiscal year 2021, and +1.1% in fiscal year 2020.

Gifts are a key and necessary source of support for a variety of purposes, including current operating activities. Gifts support scholarships and research, capital improvements, and are used to fund permanent endowments for various academic and research purposes. Current use gifts increased $3 million in 2022, but decreased $5 million in 2021. Capital gifts decreased $15 million in 2022 and decreased $117 million in 2021, driven by $125 million of support received from the Bill & Melinda Gates Foundation in 2020 to benefit the University's Population Health Initiative. Gifts to permanent endowments increased $25 million in 2022, compared to an increase of $2 million in 2021.

Expenses

Two primary functions of the University, instruction and research, comprised 35% of total operating expenses in 2022. These dollars provided instruction to over 60,000 students and funded over 5,600 research awards. Medical-related expenses, such as those related to patient care, continue to be the largest individual component, accounting for 28% of the University's total operating expenses in 2022.

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, 2022, 2021 and 2020 is shown in the table at the top of the next column.

Overall, the University's operating expenses increased $388 million, or 6%, in 2022 and increased $47 million, or 1%, in 2021. Approximately 57% and 60% of amounts incurred for operating expenses in 2022 and 2021, respectively, were related to faculty and staff compensation and benefits.

In 2022, expense associated with faculty and staff salaries increased $334 million, or 12%, partly reflecting a return to more normal business operations compared with impacts from the COVID-19 pandemic the prior year. An over 3% increase in University FTE's, together with a return to annual merit increases for professional staff which had been paused during the COVID-19 pandemic, and overall increasing costs due to the competitive labor market, contributed to the increase.

Operating Expenses by Function

(in millions)	2022		2021		2020	
Educational and general instruction	$1,465	22%	$1,403	23%	$1,361	21%
Research	879	13%	820	13%	796	13%
Public service	102	2%	87	1%	77	1%
Academic support	612	9%	551	9%	542	9%
Student services	49	1%	51	1%	55	1%
Institutional support	123	2%	259	4%	272	4%
Operation and maintenance of plant	290	4%	326	5%	281	4%
Scholarships and fellowships	213	3%	192	3%	154	3%
Auxiliary enterprises	593	9%	516	8%	576	9%
Medical-related	1,914	28%	1,645	27%	1,845	29%
Depreciation/ amortization	448	7%	450	6%	388	6%
Total operating expenses	**$6,688**	**100%**	**$6,300**	**100%**	**$6,347**	**100%**

Benefits expense decreased $256 million, or 30% in 2022. Pension expense related to the University's share of the retirement plans administered by the Department of Retirement Systems decreased $286 million during 2022, driven by unusually strong investment gains on plan assets during the 2021 measurement period. Also contributing to the decrease in total benefits expense during 2022 was a greater than 4% reduction in the premium rate paid by the University for employee healthcare, the largest component of overall employee benefit costs.

Purchased services increased $218 million, or 24%, in 2022, primarily driven by increased activities associated with medical operations and research programs ($191 million), and higher travel costs due to lifting of COVID-19 mandated travel restrictions ($22 million).

In 2021, expense associated with faculty and staff salaries decreased $63 million, or 2% partly reflecting a desire to decrease overall operating expenses where possible in response to revenue declines associated with the COVID-19 pandemic. This resulted in a 1% decrease in University FTE's during 2021, together with forgoing merit increases for professional staff and targeted staff furloughs.

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

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

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

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 9% of the University's total revenues in fiscal year 2022, continued to see increasing state tax collections as the initial, negative economic impacts related to the ongoing COVID-19 pandemic seemingly subsided during the year. In recent biennia, growth in state tax collections and new revenue have largely been consumed by court-mandated increases to K-12 education funding (McCleary v. Washington). As part of the 2019-21 compromise budget package, which was passed during the 2019 legislative session and was effective for fiscal years 2020 and 2021, the legislature approved HB 2158, which created a dedicated source of funding for higher education through an increase to Business and Occupation (B&O) taxes on professional services. In addition to funding foundational support allocations to public colleges and universities, this revenue maintained the legislature's commitment to fully-fund the Washington College Grant program (previously the State Need Grant program), and made significant investments in science, technology, engineering and math (STEM) enrollments across all three UW campuses.

During the 2022 legislative session, the state passed a supplemental operating budget, which included significant appropriation changes to the underlying 2021-23 biennial budget (effective for fiscal years 2022 and 2023). State revenue forecasts leading up to the start of the 2022 session showed strong revenue collections despite rising COVID-19 cases and hospitalizations. The state's Economic and Revenue Forecast Council (ERFC) reported a surplus of $1.1 billion ahead of the 2022 legislative session. As the session progressed, revenue totals in the 2021-23 biennium continued to increase to $1.4 billion. As a result, state lawmakers authorized, and partially funded compensation increases for UW non-represented faculty and staff in fiscal year 2023 that were not included in the underlying biennial budget. The supplemental budget also included more than 20 new direct allocations (provisos) to the University.

The June 2022 revenue forecast continued to show growing state revenue projections, which increased by $1.5 billion and represented an 18.9% increase over the 2019-21 biennium. However, the ERFC cautioned that growth is slowing and that long-term projections are less optimistic. The University will continue to monitor state revenue collections as new revenue forecasts are released in September and November of 2022.

The University's fiscal year 2023 general operating appropriation from the state (excluding certain amounts appropriated for specific purposes) currently totals nearly $470 million. This amount is an increase from approximately $437 million in 2022 and $421 million in 2021. Recent increases are largely attributable to compensation increases for non-represented faculty and staff, targeted investments in student enrollment efforts in computer science and nursing education, as well as targeted research investments.

During the 2015-17 biennium, the state approved a new tuition policy that reduced resident undergraduate tuition rates to 5% below the 2015 rates in 2016, and to 15% below the 2015 rates in 2017. The state provided funds to offset the lost tuition revenue in both years. The same tuition policy allowed for future increases tied to a rolling average of median hourly wage in the state according to the Bureau of Labor Statistics (BLS). Under this current policy, the state has allowed resident undergraduate tuition to increase by 2.0%-2.8% in each year. Due to a methodology change by BLS in how the median hourly wage is calculated beginning in 2022, the allowable increase for fiscal year 2023 dropped to 2.4% from 2.8% in 2022. While the legislature can always modify its policy, it has so far chosen to maintain it through the 2021-23 biennium. Therefore, the University's current expectation is that resident undergraduate tuition increases will continue to be limited to approximately 2.0%-3.0% each year for the near future. The University's Board of Regents continues to have broad tuition and fee setting authority for categories other than resident undergraduate tuition.

State funding for capital appropriations continues to be constrained, but the state's 2022 supplemental capital budget provided funding to mitigate increased construction costs associated with the behavioral health teaching facility, as well as general seismic improvements. These were in addition to the investments contained in the underlying biennial capital budget.

UW MEDICINE

The COVID-19 pandemic continues to evolve and the future impact on UW Medicine's operations and financial position will be driven by many factors, most of which are beyond UW Medicine's control and are difficult to predict. Broad economic factors resulting from the pandemic, including increased inflation and a competitive labor market continue to impact UW Medicine's patient volumes, case mix acuity, service mix, and revenue mix. The pandemic has also continued to have an adverse effect on UW Medicine's operating expenses to varying degrees. UW Medicine has been required to utilize higher-cost temporary labor and pay premiums due to shortages of essential workers and has also been dealing with supply chain disruptions. In addition, the impact of government and administrative regulation regarding stimulus and relief measures such as the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, the American Rescue Plan Act of 2021 ("ARPA"), and other enacted and potential future legislation is unknown. As a result of these factors and other uncertainties, management cannot estimate the length or severity of the pandemic's impact on UW Medicine's business.

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 labor shortages on UW Medicine's future expenses and operations.

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 health care organizations and covered entities at significantly reduced prices. In the past couple of years, a number of manufacturers have reduced the benefits to enrolled entities through the elimination of certain drugs in contract pharmacy settings. This had led to legal action at the federal level in an attempt to reinstate previous savings. This federal action appears to be favorable but is not yet resolved and has resulted in uncertainty related to the financial impact of the 340b program in the future.

Due to these uncertainties, management cannot predict the impact on the Group'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 streamlining how clinical care is provided, as well as mitigating the negative reimbursement trends experienced within the market. With a continued focus on patient volumes shifting from inpatient to outpatient settings due to technological advancements, and demand for care that is more convenient, affordable, and accessible as well as 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.

Behavioral Health Teaching Facility at UWMC

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

UW Finance Transformation

In December 2019, the UW Finance Transformation (UWFT) program received approval from the University's Board of Regents to proceed with a broad redesign of finance-related policies and processes, enabled by the implementation of new enterprise resource planning (ERP) technology. Workday Financials was chosen to support the business objectives for this transformation by providing a seamless, integrated solution for Human Resources/Payroll (previously implemented), Finance and Procurement. This transformation will move the institution toward a single financial system of record, and is a top administrative priority. Total program costs are estimated at $340 million, which includes all operating and capital costs for implementation and one year of stabilization. Go-live for UWFT is expected to be July 1, 2023.

Employee Benefit Costs

Rising benefit costs are expected to impact the University during fiscal year 2023. The monthly employer base rate paid by the University for employee healthcare increased nearly 21% for 2023, from $936 to $1,130 per month per active employee. Likewise, the decline in investment returns experienced during fiscal year 2022 is expected to increase fiscal year 2023 pension liabilities for the plans administered by the DRS, since those valuations reflect economic conditions as of the prior year.

Financial Statements & Notes

STATEMENTS OF NET POSITION

	UNIVERSITY OF WASHINGTON June 30,		DISCRETE COMPONENT UNITS June 30,	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**2022**	**2021**	**2022**	**2021**
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS (NOTE 3)	$ 162,736	$ 141,924	$ 441,708	$ 152,700
INVESTMENTS, CURRENT PORTION (NOTE 7)	1,488,030	1,364,521	785,095	25,335
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE OF $60,970 and $53,190) (NOTE 6)	1,030,794	1,180,501	306,027	80,103
OTHER CURRENT ASSETS	78,079	66,621	299,546	43,826
TOTAL CURRENT ASSETS	2,759,639	2,753,567	1,832,376	301,964
NONCURRENT ASSETS:				
DEPOSIT WITH STATE OF WASHINGTON (NOTE 4)	71,554	80,005	—	—
INVESTMENTS, NET OF CURRENT PORTION (NOTE 7)	6,746,299	6,832,656	149,908	150
STUDENT LOANS RECEIVABLE (NET OF ALLOWANCE OF $3,402 and $3,564) (NOTE 5)	42,368	45,473	—	—
OTHER NONCURRENT ASSETS (NOTE 1)	53,180	308,413	114,287	130,471
LEASE RECEIVABLES, NET OF CURRENT PORTION (NOTE 6, 10)	400,703	376,755	225,950	24,544
NET PENSION ASSETS (NOTE 15)	1,133,901	4,535	—	—
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF $6,085,346 and $5,728,825) (NOTE 8)	5,892,193	5,810,069	1,537,261	519,455
INVESTMENT IN FRED HUTCHINSON CANCER CENTER (NOTE 1)	428,827	—	—	—
TOTAL NONCURRENT ASSETS	14,769,025	13,457,906	2,027,406	674,620
TOTAL ASSETS	17,528,664	16,211,473	3,859,782	976,584
DEFERRED OUTFLOWS OF RESOURCES (NOTE 12)	788,441	742,444	12,926	14,033
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 18,317,105**	**$ 16,953,917**	**$ 3,872,708**	**$ 990,617**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 1,059,066	$ 984,198	$ 311,862	$ 137,368
UNEARNED REVENUES	264,822	317,054	—	—
OTHER CURRENT LIABILITIES	69,500	25,000	144,713	58,448
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 9,11)	297,774	359,816	42,949	22,620
TOTAL CURRENT LIABILITIES	1,691,162	1,686,068	499,524	218,436
NONCURRENT LIABILITIES:				
U.S. GOVERNMENT GRANTS REFUNDABLE	30,097	32,523	—	—
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 9, 11)	3,584,691	3,512,394	2,150,430	436,532
NET PENSION LIABILITIES (NOTE 15)	328,935	559,819	—	—
OTHER POST-EMPLOYMENT BENEFITS (NOTE 16)	1,861,478	1,696,027	—	—
TOTAL NONCURRENT LIABILITIES	5,805,201	5,800,763	2,150,430	436,532
TOTAL LIABILITIES	7,496,363	7,486,831	2,649,954	654,968
DEFERRED INFLOWS OF RESOURCES (NOTE 12)	2,467,357	1,585,994	54,332	52,603
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**9,963,720**	**9,072,825**	**2,704,286**	**707,571**
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	2,706,202	2,615,659	102,860	118,301
RESTRICTED:				
NONEXPENDABLE	2,053,755	1,995,857	117,649	—
EXPENDABLE	2,874,694	3,086,738	88,283	1,112
UNRESTRICTED	718,734	182,838	859,630	163,633
TOTAL NET POSITION	8,353,385	7,881,092	1,168,422	283,046
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 18,317,105**	**$ 16,953,917**	**$ 3,872,708**	**$ 990,617**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNITS	
	Year ended June 30,		**Year ended June 30,**	
REVENUES	**2022**	**2021**	**2022**	**2021**
OPERATING REVENUES:				
NET PATIENT SERVICE REVENUES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF $25,348 and $22,634)	$ 2,442,588	$ 2,207,768	$ 1,000,504	$ 707,368
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF $189,116 and $230,927)	1,125,269	1,032,697	—	—
FEDERAL GRANTS AND CONTRACTS	1,238,625	1,123,184	660,241	—
STATE AND LOCAL GRANTS AND CONTRACTS	149,504	156,600	—	—
NONGOVERNMENTAL GRANTS AND CONTRACTS	307,747	287,021	—	—
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	510,639	463,060	—	—
AUXILIARY ENTERPRISES:				
HOUSING AND FOOD SERVICES	155,893	71,265	—	—
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF $8,581 and $6,694)	96,270	37,732	—	—
OTHER AUXILIARY ENTERPRISES	289,761	199,941	—	—
OTHER OPERATING REVENUE	254,456	320,631	192,081	73,450
TOTAL OPERATING REVENUES	**6,570,752**	**5,899,899**	**1,852,826**	**780,818**
EXPENSES				
OPERATING EXPENSES (NOTE 13):				
SALARIES	3,231,801	2,898,297	882,003	408,510
BENEFITS	593,264	849,676	108,459	104,859
SCHOLARSHIPS AND FELLOWSHIPS	212,822	192,021	—	—
UTILITIES	67,788	58,866	—	—
SUPPLIES AND MATERIALS	776,433	753,831	310,712	152,392
PURCHASED SERVICES	1,123,442	905,707	238,654	92,534
DEPRECIATION/AMORTIZATION	448,192	449,976	99,528	44,019
OTHER	234,323	191,556	304,833	—
TOTAL OPERATING EXPENSES	**6,688,065**	**6,299,930**	**1,944,189**	**802,314**
OPERATING LOSS	**(117,313)**	**(400,031)**	**(91,363)**	**(21,496)**
NONOPERATING REVENUES (EXPENSES)				
STATE APPROPRIATIONS	484,915	480,826	—	—
GIFTS	218,012	214,620	—	—
INVESTMENT (LOSS) INCOME (NET OF INVESTMENT EXPENSE OF $14,813 and $10,580)	(451,870)	1,317,798	(99,120)	(2,231)
INTEREST ON CAPITAL ASSET-RELATED DEBT	(108,371)	(110,756)	(16,683)	(16,223)
PELL GRANT REVENUE	49,210	51,969	—	—
PROPERTY TAX REVENUE	—	—	24,965	24,373
OTHER NONOPERATING REVENUES (EXPENSES)	131,331	163,233	10,173	20,076
NET NONOPERATING REVENUES	**323,227**	**2,117,690**	**(80,665)**	**25,995**
INCOME BEFORE OTHER REVENUES	**205,914**	**1,717,659**	**(172,028)**	**4,499**
CAPITAL APPROPRIATIONS	127,892	69,557	—	—
CAPITAL GRANTS, GIFTS AND OTHER	46,877	119,803	(11,138)	—
GIFTS TO PERMANENT ENDOWMENTS	91,610	67,017	—	—
TOTAL OTHER REVENUES	**266,379**	**256,377**	**(11,138)**	**—**
INCREASE IN NET POSITION	**472,293**	**1,974,036**	**(183,166)**	**4,499**
NET POSITION				
NET POSITION – BEGINNING OF YEAR (NOTE 1)	7,881,092	5,907,056	1,351,588	278,547
NET POSITION – END OF YEAR	**$ 8,353,385**	**$ 7,881,092**	**$ 1,168,422**	**$ 283,046**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF CASH FLOWS

	UNIVERSITY OF WASHINGTON	
	Year Ended June 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	**2022**	**2021**
PATIENT SERVICES	$ 2,458,879	$ 2,116,804
STUDENT TUITION AND FEES	1,088,157	1,001,159
GRANTS AND CONTRACTS	1,710,932	1,568,641
PAYMENTS TO SUPPLIERS	(747,877)	(725,235)
PAYMENTS FOR UTILITIES	(65,564)	(57,414)
PURCHASED SERVICES	(1,099,194)	(883,137)
OTHER OPERATING DISBURSEMENTS	(241,457)	(174,443)
PAYMENTS TO EMPLOYEES	(3,221,015)	(2,883,152)
PAYMENTS FOR BENEFITS	(1,115,008)	(850,445)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(212,822)	(192,021)
LOANS ISSUED TO STUDENTS	(6,537)	(5,310)
COLLECTION OF LOANS TO STUDENTS	9,641	8,782
AUXILIARY ENTERPRISE RECEIPTS	563,002	261,122
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	470,323	399,882
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	947,505	861,530
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(933,239)	(857,506)
OTHER RECEIPTS	269,839	186,961
NET CASH USED BY OPERATING ACTIVITIES	**(124,435)**	**(223,782)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
STATE APPROPRIATIONS	476,429	485,910
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	49,210	112,930
PRIVATE GIFTS	156,070	147,585
PERMANENT ENDOWMENT RECEIPTS	91,610	67,017
DIRECT LENDING RECEIPTS	219,613	216,237
DIRECT LENDING DISBURSEMENTS	(219,613)	(216,237)
FEDERAL STIMULUS FUNDING	29,771	129,675
OTHER	34,468	79,227
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**837,558**	**1,022,344**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL DEBT	502,365	1,320,116
STATE CAPITAL APPROPRIATIONS	119,820	67,245
CAPITAL GRANTS AND GIFTS RECEIVED	45,921	55,619
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(500,788)	(1,179,828)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(483,826)	(589,351)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(92,841)	(108,675)
OTHER	2,433	2,845
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(406,916)**	**(432,029)**

	UNIVERSITY OF WASHINGTON	
	Year Ended June 30,	
CASH FLOWS FROM INVESTING ACTIVITIES	**2022**	**2021**
PROCEEDS FROM SALES OF INVESTMENTS	12,758,450	8,590,753
DISBURSEMENTS FOR PURCHASES OF INVESTMENTS	(13,056,871)	(9,111,706)
INVESTMENT INCOME	13,026	147,242
NET CASH USED BY INVESTING ACTIVITIES	**(285,395)**	**(373,711)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,812	(7,178)
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	141,924	149,102
CASH AND CASH EQUIVALENTS-END OF THE YEAR	**$ 162,736**	**$ 141,924**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	$ (117,313)	$ (400,031)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
DEPRECIATION/AMORTIZATION EXPENSE	448,192	449,976
CHANGES IN ASSETS, LIABILITIES AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:		
RECEIVABLES	8,488	(279,459)
OTHER ASSETS	(15,504)	(48,052)
OTHER RECEIVABLES	(23,948)	(376,755)
PENSION AND OPEB RELATED DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES	833,502	641,448
PENSION ASSETS	(1,129,366)	830
PENSION LIABILITIES	(230,884)	(638,268)
OPEB LIABILITY	165,451	154,373
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	54,396	108,640
UNEARNED REVENUE	11,417	(88,269)
OTHER LONG-TERM LIABILITIES	(129,545)	250,581
U.S. GOVERNMENTAL GRANTS REFUNDABLE	(2,426)	(2,268)
LOANS TO STUDENTS	3,105	3,472
NET CASH USED BY OPERATING ACTIVITIES	**(124,435)**	**(223,782)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
STOCK GIFTS	49,135	66,287
NET UNREALIZED (LOSSES) GAINS	(754,813)	1,134,329
EXTERNALLY MANAGED TRUSTS	28,718	(30,255)
EQUITY EARNINGS FROM INVESTMENT IN SEATTLE CANCER CARE ALLIANCE	22,910	50,837
INCREASE IN INVESTMENT IN SEATTLE CANCER CARE ALLIANCE	(142,942)	—
CEDING OF INVESTMENT INTEREST IN SEATTLE CANCER CARE ALLIANCE	425,131	—
INVESTMENT IN FRED HUTCHINSON CANCER CENTER	(428,827)	—
INCREASE IN NOTE PAYABLE TO FRED HUTCHINSON CANCER CENTER	142,942	—
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	**$ (657,746)**	**$ 1,221,198**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

JUNE 30,

	2022			2021		
	CUSTODIAL FUNDS			CUSTODIAL FUNDS		
	EXTERNAL INVESTMENT POOL	OTHER	TOTAL	EXTERNAL INVESTMENT POOL	OTHER	TOTAL
ASSETS:						
POOLED INVESTMENTS AT FAIR VALUE	$ 68,518	$ —	$ 68,518	$ 74,545	$ —	$ 74,545
OTHER ASSETS	—	1,515	1,515	—	3,269	3,269
TOTAL ASSETS	**$ 68,518**	**$ 1,515**	**$ 70,033**	**$ 74,545**	**$ 3,269**	**$ 77,814**
FIDUCIARY NET POSITION:						
POOL PARTICIPANTS	$ 68,518	$ —	$ 68,518	$ 74,545	$ —	$ 74,545
ORGANIZATIONS AND OTHER GOVERNMENTS	—	1,515	1,515	—	3,269	3,269
TOTAL FIDUCIARY NET POSITION	**$ 68,518**	**$ 1,515**	**$ 70,033**	**$ 74,545**	**$ 3,269**	**$ 77,814**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

YEAR ENDED JUNE 30,

	2022			**2021**		
	CUSTODIAL FUNDS			CUSTODIAL FUNDS		
	EXTERNAL INVESTMENT POOL	OTHER	TOTAL	EXTERNAL INVESTMENT POOL	OTHER	TOTAL
ADDITIONS:						
GIFTS	$ 820	$ 22,481	$ 23,301	$ 2,010	$ 22,350	$ 24,360
COLLATERAL RECEIVED AND RELATED ADDITIONS	—	13,977	13,977	—	17,192	17,192
INVESTMENT (LOSSES) EARNINGS:						
CHANGE IN FAIR VALUE	(8,083)	—	(8,083)	17,528	—	17,528
INTEREST, DIVIDENDS, AND OTHER	3,579	—	3,579	1,494	—	1,494
TOTAL INVESTMENT (LOSSES) EARNINGS	(4,504)	—	(4,504)	19,022	—	19,022
LESS INVESTMENT ACTIVITY COSTS	(142)	—	(142)	(71)	—	(71)
NET INVESTMENT (LOSSES) EARNINGS	(4,646)	—	(4,646)	18,951	—	18,951
TOTAL (LOSSES) ADDITIONS	**(3,826)**	**36,458**	**32,632**	**20,961**	**39,542**	**60,503**
DEDUCTIONS:						
BENEFITS PAID TO PARTICIPANTS OR BENEFICIARIES	—	22,455	22,455	—	22,174	22,174
DISTRIBUTION TO POOL PARTICIPANTS	2,201	—	2,201	2,103	—	2,103
COLLATERAL DISBURSED AND RELATED DEDUCTIONS	—	15,757	15,757	—	14,936	14,936
TOTAL DEDUCTIONS	**2,201**	**38,212**	**40,413**	**2,103**	**37,110**	**39,213**
NET (DECREASE) INCREASE IN FIDUCIARY NET POSITION	**(6,027)**	**(1,754)**	**(7,781)**	**18,858**	**2,432**	**21,290**
FIDUCIARY NET POSITION:						
FIDUCIARY NET POSITION - BEGINNING OF YEAR	74,545	3,269	77,814	55,687	837	56,524
FIDUCIARY NET POSITION - END OF YEAR	**$ 68,518**	**$ 1,515**	**$ 70,033**	**$ 74,545**	**$ 3,269**	**$ 77,814**

See accompanying notes to financial statements

Dollars in thousands

NOTES TO FINANCIAL STATEMENTS

NOTE 1:

Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY

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

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

Harborview Medical Center (HMC), a component unit of King County, Washington, is a related party to the University, but is not reflected as part of the financial reporting entity (see note 14).

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

CHANGE IN REPORTING ENTITY

Formation of 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 and to coordinate through separate affiliation agreements with FHCC and UW Medicine. 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 $429 million 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 SCCA, 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 7 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.

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. With this new arrangement, the University no longer holds a membership interest in SCCA. The University agreed to a restructuring of the SCCA joint venture; transitioning to a non-member entity, rebranding, realigning the future economic sharing arrangements, and realigning practice area management responsibilities. The University's investment in FHCC is recorded within its Statements of Net Position and reflects the integrated adult oncology program. The Restructuring Agreement includes a Financial Alignment Plan, 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. The University's former economic rights as a joint venture member were transformed into contractual rights including, among other provisions, a payment right extending perpetually. At June 30, 2022, the University recorded $6.7 million in financial alignment income for the last quarter of fiscal year 2022 which is included in other nonoperating revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

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 $424.6 million and $405.0 million for the years ended June 30, 2022 and 2021, respectively.

UW Medicine Neighborhood Clinics (Neighborhood Clinics)

Neighborhood Clinics is a Washington nonprofit corporation formed in 1996 exclusively for charitable, scientific and educational purposes for the benefit of SOM, UWP and its affiliated medical centers, HMC and UWMC. Neighborhood Clinics was organized to coordinate and develop patient care in a community clinical setting. Neighborhood Clinics enhances the academic environment of SOM by providing additional sites of primary care practice and training for faculty, residents and students. Neighborhood Clinics had operating revenues of $37.2 million and $33.7 million for the years ended June 30, 2022 and 2021, respectively.

Real Estate Entities

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

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

As of June 30, 2022 and 2021, these entities had net capital assets of $295.3 million and $315.4 million, respectively, and long-term debt of $303.6 million and $321.1 million, respectively. 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, 2022 and 2021, PBI had long-term debt of $241.9 million and $180.5 million, respectively.

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 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, together with Seattle Children's Healthcare System and Fred Hutch, were members of the Seattle Cancer Care Alliance (SCCA) until March 31, 2022, when SCCA merged with Fred Hutch to form FHCC. Each member of the SCCA held a one-third interest in the joint venture. The University accounted for its interest in the SCCA under the equity method of accounting. As of March 31, 2022, the University's investment in the SCCA totaled $282.2 million. The University reported investment income of $22.9 million for its share of the joint venture through March 31, 2022. The University's investment in SCCA was terminated on March 31, 2022 as a result of the merger into FHCC and the balance of SCCA is not included in the Statements of Net Position as of June 30, 2022. As of June 30, 2021, the University's investment in the SCCA totaled $259.3 million and is included in other noncurrent assets in its Statements of Net Position. The University reported investment income of $50.8 million for its share of the joint venture for the year ended June 30, 2021.

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 6) as of June 30, 2022 and 2021 includes amounts due from CUMG of $19.9 million and $12.3 million, respectively.

In October 2018, the University became an equity member in PNWCIN, LLC dba Embright (Embright), a Limited Liability Company. Embright is jointly owned by the University, MultiCare Health System and LifePoint Health. As a clinically integrated network in the Pacific Northwest owned by healthcare provider organizations, Embright enables the members to partner together to further the Triple Aim of improving the patient care experience and improving the health of populations while reducing costs. Together, the members represent 14 hospitals, more than 6,500 providers and over 600 outpatient sites of care. Embright's broad geographical reach assures that patients will have access to the full continuum of care, including preventive, primary, secondary, tertiary, quaternary and post-acute care. Throughout the network, teams are also implementing evidence-based clinical protocols, care pathways, standardized processes and care management services for complex patients. As of June 30, 2022 and 2021, the University's ownership interest in Embright totaled $2.4 million and $2.2 million, respectively. The University's ownership interest in Embright is recorded in other noncurrent assets in the University's Statements 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 Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position. The presentation has changed from prior years, when the Metropolitan Tract was shown condensed to one line of each financial statement. The change in presentation resulted from the implementation of GASB Statement No. 87, "*Leases*" (discussed below), and has been applied retroactively by restating fiscal year 2021.

BASIS OF ACCOUNTING

The financial statements of the University have been prepared in accordance with GASB, code section Co5, "*Colleges and Universities*", under which the University is considered to be a special-purpose government engaged in business-type activities (BTA). The University presents Management's Discussion and Analysis, Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, Statements of Fiduciary Net Position, Statements of Changes in Fiduciary Net Position, and Notes to the Financial Statements. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

On July 1, 2021, the University implemented GASB Statement No. 87, "*Leases.*" This Statement changed the accounting and financial reporting for leases, by establishing a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This Statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees are now required to recognize a lease liability and an intangible right-to-use (ROU) lease asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources. As a result of the implementation, the University has applied the standard retroactively as of July 1, 2020. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2021 have been restated to conform with the requirements of this Statement and the current year presentation.

On July 1, 2021, the University implemented GASB Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period*,". This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs are no longer included in the capitalized cost of capital assets reported by the University. This Statement has been applied on a prospective basis, and interest costs capitalized prior to implementation continue to be recognized as those assets are depreciated. Implementation of this Statement did not have a material impact on the University's financial statements.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

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

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

In April 2022, the GASB issued Statement No. 99, *"Omnibus 2022,"* provisions of which will be effective for the fiscal years ending June 30, 2023 and 2024. Requirements related to leases, PPPs, and SBITAs are effective for fiscal year ending June 30, 2023. Requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal year ending June 30, 2024. The University is currently assessing the impact of implementation of this Statement on its financial statements, but does not expect it to have any material impact on its financial statements.

In June 2022, the GASB issued Statement No. 100, *"Accounting Changes and Error Corrections,"* which will be effective for the fiscal year ending June 30, 2023. 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 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 of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

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.

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

Allowances (see notes 5 and 6) are estimates based on the historical experience of the University and current economic circumstances with respect to the collectability of accounts and loans receivable.

The University's share of pension and other post-employment benefit plan assets, liabilities, deferrals and expenses, are based on actuarial valuations prepared by an external actuary. The results of an actuarial valuation are estimates based on historical data, actuarial assumptions, and the demographics of the employee and retiree populations.

The self-insurance reserve (see note 17) is estimated through an externally prepared actuarial calculation using individual case-basis valuations and statistical analyses. Considerable variability is inherent in such estimates.

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

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

OTHER ACCOUNTING POLICIES

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

Investments under long-term strategies are considered noncurrent. Short-term investments consist primarily of cash equivalents and fixed income vehicles which management has identified as available to meet the day-to-day obligations of the University. Cash equivalents included in short-term investments is excluded from the beginning and ending cash amounts on the Statements of Cash Flows.

Inventories. Inventories are carried at the lower of cost or market value and are reflected in other current assets on the University's Statements of Net Position. Consumable inventories, consisting of expendable materials and supplies, are generally valued using the weighted-average method. Merchandise inventories are generally valued using the first-in, first-out method.

Capital Assets. Land, buildings, equipment, library materials and intangibles are stated at cost or, if acquired by gift, at fair market value at the date of the gift, less accumulated depreciation and amortization. Right of use leased 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 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, 5 to 7 years for equipment, 15 years for library materials, and 3 to 15 years for intangibles.

Interest incurred on capital asset-related debt was $108.5 million and $109.9 million for the years ended June 30, 2022 and 2021, respectively.

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 Statements 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 as the payments are made.

Lessor arrangements are included in accounts receivables (current portion), lease receivable, net of current portion and deferred inflows of resources in the Statements 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 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.

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

Asset Retirement Obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. AROs are measured at the current value of the estimated costs required to dispose of the asset. AROs are included in long-term liabilities on the University's Statements of Net Position (see remediation liabilities, note 9), 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). Legislation signed into law on July 1, 2020, amended the RCW applicable to the UWSRP to define plan provisions including limits on member eligibility, benefit payments, vesting terms and contribution rates. As a result of these amendments, the University is unable to modify the terms of the plan. Administration of the benefit calculations and payments remain the responsibility of the University until the state's Pension Funding Council determines the trust has sufficient assets, at which time the Department of Retirement Systems will assume those duties in accordance with RCW 41.50.280. Other agencies of the state of Washington perform the duties of a board and hold the substantive powers in relation to the UWSRP. The University does not perform the duties of a board or hold any of the substantive powers that would make the plan a fiduciary component unit of the University.

The total pension liability is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used for the total pension liability as of June 30, 2022 and 2021, 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. The measurement date for the UWSRP net pension liability is the same as the Statements of Net Position date.

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

Split-Interest Agreements. Under such agreements, donors make gifts to the University but the University is not the sole beneficiary and receives either a lead interest (distributions during the term of the agreement) or a remainder interest (distribution of assets remaining at the end of the agreement). Charitable trusts, charitable gift annuities, pooled income funds and beneficial interests in charitable trusts are examples of split-interest gifts. Where the University holds a remainder interest in a trust that is also administered by the University, an asset related to these agreements is recorded at fair market value, a deferred inflow is recorded for the remainder value, and a liability is recorded equal to the present value of expected future distributions to the income beneficiaries. The liability is calculated using discount rates of 8.0% for gifts before FY 2008 and 7.5% for gifts in FY 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, 2022 and 2021 was $200.4 million and $198.4 million, respectively, and is included in accounts payable and accrued liabilities in the University's Statements of Net Position. Sick leave accrued at June 30, 2022 and 2021 was $58.8 million and $57.9 million, respectively, and is included in long-term liabilities (see note 9) in the University's Statements of Net Position.

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

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

Third-party payer agreements with Medicare and Medicaid provide for payments at amounts different from established rates and are part of contractual adjustments to net patient service revenue. Medicare reimbursements are based on a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

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. Financial assistance provides patient care without charge to patients who meet certain criteria under the financial assistance policy. Records are maintained to identify and monitor the level of financial assistance provided. These records include charges foregone for services and supplies furnished under the financial assistance policy to the uninsured and the underinsured. Collection of these amounts is not pursued and, as such, they are not reported as net patient service revenue. The cost of financial assistance provided is calculated based on the aggregate relationship of costs to charges. The estimated cost of financial assistance provided during the years ended June 30, 2022 and 2021 was $25.3 million and $20.6 million, respectively.

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

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

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

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

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

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

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

Tax Exemption. The University, as an agency of the state of Washington, is not subject to federal income tax pursuant to Section 115 of the Internal Revenue Code, except for tax on unrelated business income and certain federal excise taxes.

Reclassifications. Certain amounts in the 2021 financial statement footnotes have have been reclassified for comparative purposes to conform to the presentation in the 2022 financial statements.

NOTE 2:

COVID-19 Pandemic

The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on societal and economic conditions at a local, national, and global level and has had a significant impact on the University's operations. In response to financial pressures brought on by the pandemic, the Federal Government and the state of Washington have provided additional sources of liquidity to institutions of higher education and healthcare providers. During the years ended June 30, 2022 and 2021, revenue recorded by the University related to COVID-19 support was $162.3 million and $175.5 million, respectively. This excludes amounts recorded by the University's discrete component units.

NOTE 3:

Cash and Cash Equivalents

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

NOTE 4:

Deposit with State of Washington

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

NOTE 5:

Student Loans Receivable

As of June 30, 2022 and 2021, net student loans of $42.4 million and $45.5 million, respectively, consist of $30.1 million and $32.5 million, respectively, from federal programs, and $12.3 million and $13.0 million, respectively, from University programs. For the years ended June 30, 2022 and 2021, interest income from student loans was $1.1 million and $0.6 million, respectively. These unsecured loans are made primarily to students who reside in the state of Washington.

NOTE 6:

Accounts Receivable

The major components of accounts receivable as of June 30, 2022 and 2021 are as follows:

(Dollars in thousands)	2022	2021
NET PATIENT SERVICES	$ 428,046	$ 445,254
GRANTS AND CONTRACTS	231,259	254,962
SALES AND SERVICES	165,688	125,371
SELF INSURANCE CEDED RESERVES	63,727	42,969
INVESTMENTS	46,334	204,111
LEASE RECEIVABLES (CURRENT PORTION)	44,453	41,302
DUE FROM OTHER AGENCIES	43,734	58,000
STATE APPROPRIATIONS	28,808	12,251
TUITION	15,509	15,329
OTHER	24,206	34,142
SUBTOTAL	1,091,764	1,233,691
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(60,970)	(53,190)
TOTAL	**$ 1,030,794**	**$ 1,180,501**

NOTE 7:

Investments

INVESTMENTS – GENERAL

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

University of Washington Investment Management Company Board ("UWINCO Board") consists of both Board of Regents' members and external investment professionals who advise UWINCO, the President and the Board of Regents.

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

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

TABLE 1 – INVESTMENTS *(Dollars in thousands)*

		Fair Value Measurements Inputs		
INVESTMENTS BY FAIR VALUE LEVEL	**2022**	**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	$ 1,572,728	$ 19,570	$ 1,553,158	$ —
U.S. GOVERNMENT AGENCY	348,035	10,699	337,336	—
MORTGAGE BACKED	197,531	—	197,531	—
ASSET BACKED	574,591	—	574,591	—
CORPORATE AND OTHER	147,280	18,737	128,543	—
TOTAL FIXED INCOME SECURITIES	**2,840,165**	**49,006**	**2,791,159**	**—**
EQUITY SECURITIES				
GLOBAL EQUITY INVESTMENTS	740,432	505,770	234,662	—
REAL ESTATE	19,407	16,599	—	2,808
OTHER	6,205	—	—	6,205
TOTAL EQUITY SECURITIES	**766,044**	**522,369**	**234,662**	**9,013**
EXTERNALLY MANAGED TRUSTS	**125,075**	**—**	**—**	**125,075**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**3,731,284**	**$ 571,375**	**$ 3,025,821**	**$ 134,088**

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	1,718,652
ABSOLUTE RETURN STRATEGY FUNDS	999,716
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	990,630
REAL ASSET FUNDS	189,364
OTHER	32,583
TOTAL INVESTMENTS MEASURED USING NAV	**3,930,945**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE AND NAV	7,662,229
CASH EQUIVALENTS AT AMORTIZED COST	572,100
TOTAL INVESTMENTS	**$ 8,234,329**

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

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	2,062,207
ABSOLUTE RETURN STRATEGY FUNDS	714,894
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	854,297
REAL ASSET FUNDS	170,996
OTHER	55,270
TOTAL INVESTMENTS MEASURED USING NAV	**3,857,664**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE AND NAV	7,735,386
CASH EQUIVALENTS AT AMORTIZED COST	461,791
TOTAL INVESTMENTS	**$ 8,197,177**

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

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

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

2022	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
GLOBAL EQUITY INVESTMENTS	$ 1,718,652	$ —	MONTHLY TO ANNUALLY	15-180 days
ABSOLUTE RETURN STRATEGY FUNDS	999,716	—	QUARTERLY TO ANNUALLY	30-90 days
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	990,630	691,457	N/A	—
REAL ASSETS FUNDS	189,364	104,447	N/A	—
OTHER	32,583	—	QUARTERLY TO ANNUALLY	30-95 days
TOTAL INVESTMENTS MEASURED USING NAV	**$ 3,930,945**			
2021	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
GLOBAL EQUITY INVESTMENTS	$ 2,062,207	$ —	MONTHLY TO ANNUALLY	15-180 days
ABSOLUTE RETURN STRATEGY FUNDS	714,894	—	QUARTERLY TO ANNUALLY	30-90 days
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	854,297	554,603	N/A	—
REAL ASSETS FUNDS	170,996	85,166	N/A	—
OTHER	55,270	2,156	QUARTERLY TO ANNUALLY	30-95 days
TOTAL INVESTMENTS MEASURED USING NAV	**$ 3,857,664**			

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, 2022 and 2021, approximately 78% and 79%, respectively, of the value of the investments in this category can be redeemed within 90 days. As of June 30, 2022 and 2021, approximately 93% and 92%, respectively, can be redeemed within one year.
2. **Absolute Return:** This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. As of June 30, 2022 and 2021, approximately 92% and 82%, respectively, of the value of the investments in this category can be redeemed within one year.
3. **Private equity and venture capital:** This category includes buyout, venture, and special situations funds. These investments cannot be redeemed at the request of the University. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that underlying assets of the funds will be liquidated over the next 1 to 10 years.
4. **Real assets:** This category includes real estate, natural resources, and other hard assets. These investments cannot be redeemed at the request of the University. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that underlying assets of the funds will be liquidated over the next 1 to 10 years.
5. **Other:** This category consists of opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. As of June 30, 2022 and 2021, approximately 39% and 25%, respectively, of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contain restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.

INVESTMENT POOLS

The University combines most short-term investment balances into the Invested Funds Pool. At June 30, 2022 and 2021, the Short-term and Intermediate-term Invested Funds Pools totaled $2.5 billion and $2.5 billion, respectively. The Invested Funds - Long-term Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $1,016.0 million and $812.0 million at June 30, 2022 and 2021, respectively. In addition, the Long-term Pool also owns a passive global equity index valued at $143.0 million and $141.0 million as of June 30, 2022 and 2021, respectively. Per University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 0.75% in fiscal years 2022 and 2021. University Advancement received 3.0% of the average balances in endowment operating and gift accounts in fiscal years 2022 and 2021. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in the CEF, a pooled fund. Individual endowments purchase units in the pool on the basis of a per-unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. RCW 24.55 of the Washington State Code and the Uniform Prudent Management of Institutional Funds Act allow for total return expenditure under comprehensive prudent standards.

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units starting with a 4.9% spending rate in fiscal year 2020, 4.7% spending rate in fiscal 2021 and then reaching 4.5% in fiscal year 2022. Quarterly distributions during fiscal year 2022 to programs are based on an annual percentage rate of 3.60%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for an administrative fee 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 market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value at June 30, 2022, the net deficiency from the original gift value was $6.9 million. All endowments are recorded at the original gift value at June 30, 2021.

Net (depreciation) appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $238.3 million and $89.8 million in fiscal years 2022 and 2021, respectively, from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these investments reported in the prior year(s). The net (depreciation) appreciation in the fair value of investments during the years ended June 30, 2022 and 2021 was $(487.8) million and $1,193.9 million, respectively.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2022 and 2021, the University had outstanding commitments to fund alternative investments of $795.9 million and $641.9 million, respectively. These commitments are expected to be called over a multi-year time frame, generally 2-5 years depending on the type of fund. The University believes it has adequate liquidity and funding sources to meet these obligations.

DERIVATIVE INSTRUMENTS

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

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

As of June 30, 2022 and 2021, the University had outstanding futures contracts with notional amounts totaling $55.2 million and $232.6 million, respectively. As of June 30, 2022, accumulated unrealized losses on these contracts totaled $364 thousand and as of June 30, 2021, accumulated unrealized gains on these contracts totaled $760 thousand. The accumulated unrealized gain/(loss) are included in Investments on the Statements of Net Position. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price.

Credit exposure represents exposure to counterparties relating to financial instruments, where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2022 or 2021. No derivative instruments have been reclassified from a hedging instrument to an investment instrument.

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

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 1.71 years and 1.95 years at June 30, 2022 and 2021, respectively.

CREDIT RISK

Fixed income securities are also subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University Investment Policies limit fixed income exposure to investment grade assets. The Investment Policy for the Invested Funds' short-term pool requires each manager to maintain an average quality rating of "AA" as issued by a nationally recognized rating organization. The Invested Funds' intermediate-term pool requires each manager to maintain an average quality rating of "A" and to hold 25% of their portfolios in government and government agency issues. The Investment Policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investment to investment grade credits.

Duration is a calculation of the number of years required to recover the true cost of a bond. The duration measures presented in Table 4 below represent a broad average across all fixed income securities held in the CEF, the Invested Funds Pool (IF or operating funds) and debt service reserve funds. The CEF and IF portfolios are managed to have a duration below their policy benchmarks to protect principal and provide liquidity to the overall portfolio.

Duration and credit risk figures at June 30, 2022 and 2021 exclude $30.6 million and $31.5 million, respectively, of fixed income securities held by blended component units. These amounts make up 1.08% and 1.03%, respectively, of the University's fixed income investments, and are not included in the duration figures detailed in Table 4.

The composition of fixed income securities at June 30, 2022 and 2021, along with credit quality and effective duration measures, is summarized as follows:

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

2022

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (In years)
U.S. TREASURY SECURITIES	$ 1,553,157	$ —	$ —	$ —	$ 1,553,157	1.43
U.S. GOVERNMENT AGENCY	343,462	—	—	—	343,462	4.87
MORTGAGE BACKED	—	76,365	53,824	67,342	197,531	1.34
ASSET BACKED	6,284	470,850	5,173	92,284	574,591	0.71
CORPORATE AND OTHER	—	56,125	359	84,373	140,857	1.30
TOTAL	**$ 1,902,903**	**$ 603,340**	**$ 59,356**	**$ 243,999**	**$ 2,809,598**	**1.71**

2021

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

*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 $1.6 billion and $1.8 billion at June 30, 2022 and 2021, respectively.

TABLE 4 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)	**2022**	**2021**
CHINESE RENMINBI (CNY)	$ 381,690	$ 390,837
EURO (EUR)	227,022	176,789
JAPANESE YEN (JPY)	169,356	258,092
BRITISH POUND (GBP)	166,650	138,836
INDIAN RUPEE (INR)	138,301	199,687
BRAZIL REAL (BRL)	69,487	102,402
TAIWANESE DOLLAR (TWD)	49,894	36,479
SOUTH KOREAN WON (KRW)	49,301	67,748
SWISS FRANK (CHF)	38,152	43,872
HONG KONG DOLLAR (HKD)	32,507	58,543
SINGAPORE DOLLAR (SGD)	32,415	54,863
SWEDISH KRONA (SEK)	30,841	45,463
INDONESIAN RUPIAH (IDR)	29,844	5,711
NORWEGIAN KRONE (NOK)	20,215	21,369
SOUTH AFRICAN RAND (ZAR)	19,378	21,624
AUSTRALIAN DOLLAR (AUD)	18,609	26,735
REMAINING CURRENCIES	80,929	165,704
TOTAL	**$ 1,554,591**	**$ 1,814,754**

NOTE 8:

Capital Assets

Capital asset activity for the years ended June 30, 2022 and 2021 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2020	Additions/ Transfers	Retirements	Balance as of June 30, 2021	Additions/ Transfers	Retirements	Balance as of June 30, 2022
LAND	$ 153,211	$ —	$ —	$ 153,211	$ 6,646	$ —	$ 159,857
INFRASTRUCTURE	315,380	3,769	20	319,129	4,805	—	323,934
BUILDINGS	7,439,606	390,154	8,117	7,821,643	63,617	16,871	7,868,389
FURNITURE, FIXTURES AND EQUIPMENT	1,431,702	108,937	45,438	1,495,201	179,857	80,714	1,594,344
LIBRARY MATERIALS	404,017	16,391	2,217	418,191	13,419	2,299	429,311
CAPITALIZED COLLECTIONS	7,612	23	—	7,635	826	—	8,461
INTANGIBLE ASSETS	222,306	2,219	—	224,525	4,029	49,624	178,930
RIGHT OF USE LEASE ASSETS	701,779	48,086	1	749,864	75,728	669	824,923
CONSTRUCTION IN PROGRESS	356,855	(154,209)	5,084	197,562	209,488	9,585	397,465
INTANGIBLES IN PROCESS	78,195	73,738	—	151,933	39,992	—	191,925
TOTAL COST	**11,110,663**	**489,108**	**60,877**	**11,538,894**	**598,407**	**159,762**	**11,977,539**
LESS ACCUMULATED DEPRECIATION/ AMORTIZATION:							
INFRASTRUCTURE	146,348	8,451	20	154,779	8,631	—	163,410
BUILDINGS	3,499,078	259,925	7,948	3,751,055	260,401	8,108	4,003,348
FURNITURE, FIXTURES AND EQUIPMENT	1,204,317	97,244	19,326	1,282,235	94,206	31,759	1,344,682
LIBRARY MATERIALS	308,517	13,624	1,724	320,417	13,473	1,794	332,096
INTANGIBLE ASSETS	149,608	10,432	—	160,040	8,865	49,624	119,281
RIGHT OF USE LEASE ASSETS	—	60,300	1	60,299	62,616	386	122,529
TOTAL ACCUMULATED DEPRECIATION/ AMORTIZATION	**5,307,868**	**449,976**	**29,019**	**5,728,825**	**448,192**	**91,671**	**6,085,346**
CAPITAL ASSETS, NET	**$ 5,802,795**	**$ 39,132**	**$ 31,858**	**$ 5,810,069**	**$ 150,215**	**$ 68,091**	**$ 5,892,193**

NOTE 9:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the years ended June 30, 2022 and 2021 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2020	Additions	Reductions	Balance as of June 30, 2021	Additions	Reductions	Balance as of June 30, 2022	Current portion as of June 30, 2021	Current portion as of June 30, 2022
BONDS PAYABLE:									
GENERAL OBLIGATION BONDS PAYABLE (NOTE 11)	$ 69,585	$ 13,475	$ 25,375	$ 57,685	$ 8,400	$ 19,740	$ 46,345	$ 10,995	$ 11,475
REVENUE BONDS PAYABLE (NOTE 11)	2,276,290	444,585	442,945	2,277,930	374,790	365,510	2,287,210	65,385	72,615
UNAMORTIZED PREMIUM ON BONDS	151,224	51,474	37,225	165,473	24,051	35,207	154,317	18,139	16,943
TOTAL BONDS PAYABLE	**2,497,099**	**509,534**	**505,545**	**2,501,088**	**407,241**	**420,457**	**2,487,872**	**94,519**	**101,033**
NOTES PAYABLE:									
NOTES PAYABLE & OTHER -CAPITAL ASSET RELATED (NOTE 11)	66,089	6,235	13,506	58,818	1,124	13,869	46,073	13,056	11,286
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 11)	1,508	360	98	1,770	143,240	47	144,963	1,738	10,529
TOTAL NOTES PAYABLE	**67,597**	**6,595**	**13,604**	**60,588**	**144,364**	**13,916**	**191,036**	**14,794**	**21,815**
OTHER LONG-TERM LIABILITIES:									
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	54,959	15,385	6,270	64,074	—	11,847	52,227	6,265	11,847
COVID-19 RELIEF (NOTE 2)	35,976	207,923	16,511	227,388	—	170,735	56,653	157,031	56,653
REMEDIATION LIABILITIES (NOTE 1)	33,785	—	—	33,785	—	—	33,785	—	—
HMC ITS FUNDING (NOTE 14)	24,269	—	—	24,269	—	2,672	21,597	7,600	9,300
SICK LEAVE (NOTE 1)	54,689	21,009	17,754	57,944	8,404	7,563	58,785	16,294	12,658
SELF-INSURANCE (NOTE 17)	125,081	71,805	16,372	180,514	112,713	51,228	241,999	16,396	33,800
LEASE LIABILITIES (NOTE 10)	708,219	71,127	70,301	709,045	90,048	67,482	731,611	46,840	50,586
OTHER NONCURRENT LIABILITIES	16,855	314	3,654	13,515	—	6,615	6,900	77	82
TOTAL OTHER LONG-TERM LIABILITIES	**1,053,833**	**387,563**	**130,862**	**1,310,534**	**211,165**	**318,142**	**1,203,557**	**250,503**	**174,926**
TOTAL LONG-TERM LIABILITIES	**$3,618,529**	**$ 903,692**	**$ 650,011**	**$3,872,210**	**$ 762,770**	**$ 752,515**	**$3,882,465**	**$ 359,816**	**$ 297,774**

DISCRETE COMPONENT UNITS

Long-term liability activity for the years ended June 30, 2022 and 2021 is summarized as follows:

	Balance as of July 1, 2020	Additions	Reductions	Balance as of June 30, 2021	Additions	Reductions	Balance as of June 30, 2022	Current portion as of June 30, 2021	Current portion as of June 30, 2022
VALLEY MEDICAL CENTER *(Dollars in thousands)*									
LIMITED TAX GENERAL OBLIGATION BONDS	$ 327,897	$ —	$ 12,863	$ 315,034	$ —	$ 10,983	$ 304,051	$ 8,616	$ 11,185
LEASE LIABILITIES	127,538	10,348	12,445	125,441	7,713	24,227	108,927	14,004	13,719
NOTES PAYABLE & OTHER	10,465	15,105	6,892	18,678	—	18,678	—	—	—
TOTAL LONG-TERM LIABILITIES	**$ 465,900**	**$ 25,453**	**$ 32,200**	**$ 459,153**	**$ 7,713**	**$ 53,888**	**$ 412,978**	**$ 22,620**	**$ 24,904**

	Balance as of July 1, 2020	Additions	Reductions	Balance as of June 30, 2021	Additions	Reductions	Balance as of June 30, 2022	Current portion as of June 30, 2021	Current portion as of June 30, 2022
FRED HUTCHINSON CANCER CENTER *(Dollars in thousands)*									
LONG TERM DEBT	$ —	$ —	$ —	$ —	$ 1,939,257	$ 846,298	$ 1,092,959	$ —	$ 3,959
COLLABORATIVE ARRANGEMENT LIABILITIES	—	—	—	—	428,824	—	428,824	—	—
LEASE LIABILITIES	—	—	—	—	268,783	28,240	240,543	—	14,086
DEFERRED CREDIT ON CASH FLOW HEDGES	—	—	—	—	39,872	21,797	18,075	—	—
TOTAL LONG-TERM LIABILITIES	**$ —**	**$ —**	**$ —**	**$ —**	**$2,676,736**	**$ 896,335**	**$1,780,401**	**$ —**	**$ 18,045**

NOTE 10:

Leases

LESSEE ARRANGEMENTS

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 2067 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 $85.1 million and $70.3 million as of June 30, 2022, and 2021, respectively. The University does not have any leases subject to a residual value guarantee.

The University's right-to-use lease asset and related accumulated amortization for fiscal years ended June 30, 2022 and 2021 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2020	Additions	Modifications and Renewals	Deductions	Balance as of June 30, 2021	Additions	Modifications and Renewals	Deductions	Balance as of June 30, 2022
RIGHT OF USE LEASE ASSETS									
LAND	$ 414,497	$ —	$ —	$ —	$ 414,497	$ —	$ —	$ —	$ 414,497
BUILDINGS	220,702	10,815	37,074	1	268,590	63,653	11,381	669	342,955
EQUIPMENT	66,580	197	—	—	66,777	694	—	—	67,471
TOTAL RIGHT OF USE LEASE ASSETS	**701,779**	**11,012**	**37,074**	**1**	**749,864**	**64,347**	**11,381**	**669**	**824,923**
LESS ACCUMULATED AMORTIZATION									
LAND	—	9,658	—	—	9,658	9,658	—	—	19,316
BUILDINGS	—	34,178	—	1	34,177	36,551	—	387	70,341
EQUIPMENT	—	16,464	—	—	16,464	16,407	—	—	32,871
TOTAL ACCUMULATED AMORTIZATION	**—**	**60,300**	**—**	**1**	**60,299**	**62,616**	**—**	**387**	**122,528**
TOTAL RIGHT OF USE LEASE ASSETS, NET	**$ 701,779**	**$ (49,288)**	**$ 37,074**	**$ —**	**$ 689,565**	**$ 1,731**	**$ 11,381**	**$ 282**	**$ 702,395**

Total future annual lease payments under lessee agreements as of June 30, 2022 are as follows:

Year *(Dollars in thousands)*	**Principal (a)**	**Interest**	**Total**
2023	$ 46,344	$ 18,918	$ 65,262
2024	39,835	18,759	58,594
2025	35,069	19,246	54,315
2026	20,152	19,146	39,298
2027	17,551	18,682	36,233
2028-2032	56,173	93,437	149,610
2033-2037	46,618	97,673	144,291
2038-2042	47,369	98,611	145,980
2043-2047	48,904	76,829	125,733
2048-2052	68,725	64,031	132,756
2053-2057	106,079	47,795	153,874
2058-2062	158,935	23,366	182,301
2063-2067	36,133	687	36,820
Total	**$ 727,887**	**$ 597,180**	**$ 1,325,067**

(a) These amounts exclude accrued interest, which is included in the lease liability shown on the Statements of Net Position.

As of June 30, 2022, the University has two leases that have not yet commenced, primarily for building space, with lease payments due on an undiscounted basis of $139.9 million over the respective lease terms. These leases will commence in fiscal years 2023 and 2026 with lease terms ranging between 10 and 40 years.

LESSOR ARRANGEMENTS

The University leases building and ground space to external parties with significant activity occurring within the Metropolitan Tract (Note1). The leases expire at various dates through 2102 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 is $24.2 million and $28.0 million as of June 30, 2022, and 2021, respectively. The University recognized revenues related to lease agreements totaling $83.4 million and $84.0 million, as of June 30, 2022, and 2021, respectively, reported in other operating revenues in the Statements of Revenue, Expenses and Change in Net Position.

Future minimum lease payments to be received under lessor agreements as of June 30, 2022 are as follows:

Year *(Dollars in Thousands)*	**Principal (a)**	**Interest**	**Total**
2023	$ 37,296	$ 10,691	$ 47,987
2024	35,537	10,775	46,312
2025	32,600	10,083	42,683
2026	30,103	9,625	39,728
2027	26,079	9,054	35,133
2028-2032	48,595	39,219	87,814
2033-2037	19,176	34,288	53,464
2038-2042	11,553	32,277	43,830
2043-2047	13,080	30,837	43,917
2048-2052	15,227	29,107	44,334
2053-2057	18,256	26,800	45,056
2058-2062	20,342	24,315	44,657
2063-2067	18,653	21,990	40,643
2068-2072	20,170	19,724	39,894
2073-2077	17,131	17,776	34,907
2078-2082	21,932	14,177	36,109
2083-2087	15,925	7,544	23,469
2088-2092	16,390	5,118	21,508
2093-2097	21,217	2,031	23,248
2098-2102	1,066	6	1,072
Total	**$ 440,328**	**$ 355,437**	**$ 795,765**

(a) These amounts exclude accrued interest, which is included in the lease receivable shown on the Statements of Net Position.

NOTE 11:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2022 consist of state of Washington General Obligation Bonds, University General Revenue Bonds, and Notes Payable. These obligations have interest rates ranging from 0.19% to 8.00%. As of June 30, 2022, substantially all of the University's debt was publicly offered debt. Debt service requirements as of June 30, 2022 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**
2023	$ 11,475	$ 1,905	$ 72,615	$ 92,059	$ 21,815	$ 5,721
2024	11,840	1,458	71,605	90,100	21,503	6,819
2025	8,910	939	87,020	87,101	20,165	6,140
2026	5,265	525	90,565	84,008	16,754	5,457
2027	5,210	266	94,050	80,637	16,583	4,754
2028-2032	3,645	135	459,795	349,820	89,228	12,122
2033-2037	—	—	480,735	259,369	4,796	88
2038-2042	—	—	507,940	140,959	192	7
2043-2047	—	—	303,025	48,610	—	—
2048-2052	—	—	119,860	6,857	—	—
TOTAL PAYMENTS	**$ 46,345**	**$ 5,228**	**$ 2,287,210**	**$ 1,239,520**	**$ 191,036**	**$ 41,108**

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

ISSUANCE AND REFUNDING ACTIVITY

On April 1, 2022, UW Medical Center entered into a promissory note agreement with Fred Hutchinson Cancer Center (FHCC), for its 50% share of the buyout of Seattle Children's Healthcare System membership in SCCA. The note payable to FHCC is $142.9 million and the interest rate is 4.82%. The note shall be payable in forty equal consecutive quarterly installments of principal and interest and matures in March 2032. 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 Restructuring Agreement. As of June 30, 2022, no principal or interest payments have been paid.

On March 8, 2022, the University issued $75.0 million of tax-exempt General Revenue Bonds, 2022A, at a premium of $16.2 million and an average coupon of 5.00%. The average life is 8.5 years with a final maturity on April 1, 2037. Proceeds will be mainly used to fund UW Medicine Small-Works projects and the Montlake Campus Membrane Repair project. Additionally, the University issued $209.1 million of taxable General Revenue Refunding Bonds, 2022B (Taxable), with an average coupon of 2.88%. The average life is 9.7 years with a final maturity on July 1, 2041. The bonds refunded by the 2022B Series had a par amount of $200.1 million and coupon rates ranging from 4.00% to 5.00%, with an average coupon of 4.94%. The refunding reduced the total debt service payments to be made by the University over the next 20 years by $33.8 million and resulted in a total economic gain of $26.5 million. Additionally, the University issued $90.7 million of tax-exempt General Revenue Refunding Bonds, 2022C (Term Rate Bonds) at a premium of $9.6 million and an average coupon of 4.00% through the 5-year mandatory redemption date of August 1, 2027. The 2022C Term Rate Bonds refunded the 2019A (Term Rate Bonds) with a par amount of $100.0 million at the mandatory redemption date.

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

COMMERCIAL PAPER PROGRAM

The University has a commercial paper program with a maximum borrowing limit of $250.0 million, payable from University General Revenues. This short-term borrowing program is primarily used to fund capital expenditures. As of June 30, 2022 and 2021, the University had $69.5 million and $25.0 million, respectively, in outstanding commercial paper.

During fiscal year 2022, the University issued $44.5 million of commercial paper.

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

CREDIT LINES

Effective August 13, 2020, the University entered into a Master Financing Agreement (the "2020 Master Financing Agreement") with JP Morgan Chase Bank to provide a non-revolving credit line available to the University for the financing of short-term assets (FAST), including personal property, to be drawn on from time to time. The 2020 Master Financing Agreement provides financing for the University's FAST Program. The 2020 Master Financing Agreement allows for draws in an aggregate amount not to exceed $40.0 million. The Bank and the University entered into two prior master financing agreements, one dated July 7, 2017 (the "2017 Master Financing Agreement") and the other dated November 14, 2014 (the "2014 Master Financing Agreement"), which allowed for draws up to an aggregate amount not to exceed $30.0 million and $12.0 million, respectively. Each Master Financing Agreement replaced the prior agreement, however, draws on the prior master financing agreements remain outstanding until paid under the terms of the corresponding agreement. Outstanding borrowings as of June 30, 2022 and 2021 totaled $22.9 million and $26.1 million, respectively.

On August 13, 2020, the University entered into a Revolving Loan Agreement with Washington Federal Bank, National Association which provides a revolving loan through August 1, 2023, for up to $100.0 million to be used for providing additional institutional liquidity. Taxable borrowings under the agreement bear interest at 2.21%; tax-exempt borrowings bear interest at 1.75%. Amounts borrowed under the agreement are payable solely from and secured by a pledge of the University's general revenues. The University made no draws and had no outstanding cash borrowings with respect to this agreement as of June 30, 2022.

On August 13, 2020, the University entered into a Revolving Credit Agreement with U.S. Bank National Association which provides a revolving line of credit through August 12, 2022, for up to $100.0 million to be used for providing additional institutional liquidity. On September 30, 2021, the University entered into an Amended and Restated Revolving Credit Agreement with U.S. Bank National Association, which adjusted the rates from the prior agreement and extended the term through August 1, 2024. Borrowings for tax-exempt projects under the agreement bear interest at a fluctuating rate equal to 82% of the daily one-month LIBOR rate plus a margin of 0.53%; borrowings for taxable projects bear interest at a fluctuating rate equal to the daily one-month LIBOR rate plus a margin of 0.65%. 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, 2022.

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, 2022 and 2021, $414.3 million and $222.3 million of bonds outstanding, respectively, are considered defeased.

NOTE 12:

Deferred Outflows and Deferred Inflows of Resources

The composition of deferred outflows and deferred inflows of resources as of June 30, 2022 and 2021 are summarized as follows:

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

2022	Pensions	Leases	OPEB	Split-Interest Agreements	Other	Total
DEFERRED OUTFLOWS OF RESOURCES	$ 475,638	$ —	$ 304,715	$ —	$ 8,088	$ 788,441
DEFERRED INFLOWS OF RESOURCES	1,641,381	435,238	360,448	30,290	—	2,467,357
2021	**Pensions**	**Leases**	**OPEB**	**Split-Interest Agreements**	**Other**	**Total**
DEFERRED OUTFLOWS OF RESOURCES	$ 446,683	$ —	$ 272,332	$ —	$ 23,429	$ 742,444
DEFERRED INFLOWS OF RESOURCES	708,092	407,857	426,949	43,096	—	1,585,994

NOTE 13:

Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2022 and 2021 are summarized as follows:

OPERATING EXPENSES *(Dollars in thousands)*	2022	2021
INSTRUCTION	$ 1,464,752	$ 1,403,533
RESEARCH	879,446	819,870
PUBLIC SERVICE	102,090	86,991
ACADEMIC SUPPORT	612,479	550,624
STUDENT SERVICES	48,965	50,703
INSTITUTIONAL SUPPORT	123,227	258,880
OPERATION & MAINTENANCE OF PLANT	290,276	326,323
SCHOLARSHIPS & FELLOWSHIPS	212,824	192,019
AUXILIARY ENTERPRISES	593,392	515,952
MEDICAL-RELATED	1,912,422	1,645,059
DEPRECIATION/AMORTIZATION	448,192	449,976
TOTAL OPERATING EXPENSES	**$ 6,688,065**	**$ 6,299,930**

NOTE 14:

Related Parties

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

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

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

HMC revenues and expenses are not recognized in the University's financial statements. As of June 30, 2022, the University's financial statements included accounts receivable and long-term receivables from HMC of $47.7 million and $19.2 million, respectively, HMC investments of $4.4 million and current accrued liabilities and long-term liabilities of $48.5 million and $21.6 million, respectively, related to HMC. As of June 30, 2021, the University's financial statements included accounts receivable and long-term receivables from HMC of $56.8 million and $25.3 million, respectively, HMC investments of $5.7 million and current accrued liabilities and long-term liabilities of $45.6 million and $24.3 million, respectively, related to HMC.

Under an annual agreement, HMC provides strategic funding to Neighborhood Clinics. Funding from HMC to Neighborhood Clinics was $11.4 million and $13.3 million during fiscal years 2022 and 2021, respectively, and is included in other operating revenue in the Statements of Revenues, Expenses and Changes in Net Position.

UW Medicine information technology operates as a self-sustaining activity of the University (ITS department). The ITS department records enterprise-wide information technology capital assets that are purchased for use by UW Medicine entities. The HMC ITS funding reflected in long-term liabilities (see note 9) of $21.6 million and $24.3 million at June 30, 2022 and 2021, respectively, 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 2022 and 2021, the UWF transferred $218.6 million and $171.1 million, respectively, to the University in gifts and grants received on its behalf; these are included in the financial statements of the University. The remaining amounts retained by the UWF are not significant to the University's financial statements.

The University of Washington Alumni Association is a tax-exempt entity that was established to connect and celebrate alumni and to support the University's mission. The Alumni Association received $4.1million and $4.3 million from the University in support of its operations in fiscal years 2022 and 2021, respectively. These amounts were expensed by the University.

NOTE 15:

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, 2022 and 2021, the University's share of the total net pension assets associated with the defined-benefit pension plans administered by the DRS was $1,133.9 million and $4.5 million, respectively. The University's share of the total net pension liabilities was $109.8 million and $433.5 million, respectively. As of June 30, 2022 and 2021, the net pension liability associated with the defined benefit pension plan administered by the University was $219.1 million and $126.3 million, respectively. As of June 30, 2022 and 2021, assets held by the University to pay retiree benefits in connection with the pension plan administered by the University was $345.3 million and $344.8 million, respectively. These assets have been segregated in a separate investment account and are in addition to those now residing with the Washington State Investment Board. For the years ended June 30, 2022 and 2021, total pension expense recorded by the University related to both the DRS and University plans was $(288.0) million and $6.2 million, respectively.

PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION

Public Employees' Retirement System

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

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

Teachers' Retirement System

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

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

Law Enforcement Officers' and Fire Fighters' Retirement System

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

VESTING AND BENEFITS PROVIDED

PERS Plan 1 and TRS Plan 1

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

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

PERS Plan 2/3 and TRS Plan 2/3

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

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

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

LEOFF Plan 2

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

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

FIDUCIARY NET POSITION

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

Chapter 43.33A of the RCW authorizes the Washington State Investment Board (WSIB) to have the investment management responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position presented in the DRS 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/wp-content/uploads/2021/06/2022-ACFR.pdf

ACTUARIAL ASSUMPTIONS

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

The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (OSA). The University's 2022 pension liabilities are based on an OSA valuation performed as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021. Likewise, the University's 2021 pension liabilities are based on a valuation performed as of June 30, 2019, with the results rolled forward to the measurement date of June 30, 2020. The following actuarial assumptions have been applied to all prior periods included in the measurement:

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

Mortality rates as of June 30, 2020 and 2019, 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, 2020 and 2019, valuations were based on the results of the 2013-2018 Experience Study Report and 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

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

The long-term expected rate of return of 7.40% as of measurement dates June 30, 2021 and 2020, 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:

	2022 *(Measurement Date 2021)*		**2021** *(Measurement Date 2020)*	
Asset Class	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**
FIXED INCOME	20.00%	2.20%	20.00%	2.20%
TANGIBLE ASSETS	7.00%	5.10%	7.00%	5.10%
REAL ESTATE	18.00%	5.80%	18.00%	5.80%
GLOBAL EQUITY	32.00%	6.30%	32.00%	6.30%
PRIVATE EQUITY	23.00%	9.30%	23.00%	9.30%

The inflation component used to create the above table was 2.20% for the June 30, 2020 and 2019 actuarial valuations, and represents WSIB's most recent long-term estimate of broad economic inflation.

DISCOUNT RATE

The discount rate used to measure the total pension liabilities as of June 30, 2022 and 2021 was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liability for PERS 1 and TRS 1, respectively). Based on those assumptions, the fiduciary net position for each pension plan was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.40% future investment rate of return on pension plan investments was assumed as of June 30, 2021 and 2020. 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 7.40% as of June 30, 2021 and 2020, 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)*

	2022			2021		
Plan	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
PERS 1	$ 183,066	$ 107,461	$ 41,526	$ 361,443	$ 288,564	$ 225,006
PERS 2/3	(317,391)	(1,114,120)	(1,770,227)	833,106	133,891	(441,913)
TRS 1	4,479	2,337	467	8,616	6,800	5,216
TRS 2/3	1,622	(9,301)	(18,211)	12,476	4,233	(2,490)
LEOFF 2	(6,608)	(10,480)	(13,649)	(90)	(4,535)	(8,175)

EMPLOYER CONTRIBUTION RATES

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA, and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The following table presents the contribution rates, stated as a percentage of covered payroll as defined by the statute, and required contributions for each DRS plan in which the University participates for the years ended June 30, 2022 and 2021:

(Dollars in Thousands)	PERS 1	PERS 2/3[(a)]	TRS 1	TRS 2/3[(a)]	LEOFF 2
2022					
CONTRIBUTION RATE	12.97 %	12.97 %	15.74 %	15.74 %	8.77 %
CONTRIBUTIONS MADE	$ 54,344	$ 92,147	$ 1,877	$ 2,315	$ 321
2021					
CONTRIBUTION RATE	12.86 %	12.86 %	15.51 %	15.51 %	8.77 %
CONTRIBUTIONS MADE	$ 65,546	$ 105,944	$ 1,907	$ 2,048	$ 360

(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, 2022 was June 30, 2021. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2021 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, 2021 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension liabilities and assets recorded by the University as of June 30, 2021 was June 30, 2020, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2020, used as the basis for determining each employer's proportionate share of the collective pension amounts. The following table presents the University's proportionate share for each DRS plan:

PROPORTIONATE SHARE	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
YEAR ENDED JUNE 30, 2022	8.80 %	11.18 %	0.35 %	0.34 %	0.18 %
YEAR ENDED JUNE 30, 2021	8.17 %	10.47 %	0.28 %	0.28 %	0.22 %

UNIVERSITY AGGREGATED BALANCES

The table below presents the University's aggregated balance of net pension liability and net pension asset as of June 30 2022 and 2021:

(Dollars in Thousands)	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2022						
NET PENSION LIABILITY	$ 107,461	$ —	$ 2,337	$ —	$ —	$ 109,798
NET PENSION ASSET	—	1,114,120	—	9,301	10,480	1,133,901
2021						
NET PENSION LIABILITY	$ 288,564	$ 133,891	$ 6,800	$ 4,233	$ —	$ 433,488
NET PENSION ASSET	—	—	—	—	4,535	4,535

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

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

PROPORTIONATE SHARE OF PENSION EXPENSE *(Dollars in Thousands)*						
	PERS 1	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
YEAR ENDED JUNE 30, 2022	$ 2,082	$ (250,731)	$ 903	$ (1,000)	$ (1,484)	$ (250,230)
YEAR ENDED JUNE 30, 2021	19,048	13,614	1,651	1,585	(130)	35,768

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*						
2022	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
CHANGE IN ASSUMPTIONS	$ —	$ 1,628	$ —	$ 579	$ 5	$ 2,212
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	54,111	—	2,890	475	57,476
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	11,858	—	1,012	873	13,743
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [a]	54,344	92,147	1,877	2,315	321	151,004
TOTAL	**$ 54,344**	**$ 159,744**	**$ 1,877**	**$ 6,796**	**$ 1,674**	**$ 224,435**
2021						
CHANGE IN ASSUMPTIONS	$ —	$ 1,907	$ —	$ 546	$ 7	$ 2,460
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	47,931	—	2,675	627	51,233
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	212	—	858	102	1,172
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [b]	65,546	105,944	1,907	2,048	360	175,805
TOTAL	**$ 65,546**	**$ 155,994**	**$ 1,907**	**$ 6,127**	**$ 1,096**	**$ 230,670**

(a) Recognized as a reduction of the net pension liability as of June 30, 2023
(b) Recognized as a reduction of the net pension liability as of June 30, 2022

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*						
2022	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 119,246	$ 931,143	$ 3,503	$ 10,844	$ 4,997	$ 1,069,733
CHANGE IN ASSUMPTIONS	—	79,121	—	489	498	80,108
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	13,658	—	75	55	13,788
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	—	—	—	—	—
TOTAL	**$ 119,246**	**$ 1,023,922**	**$ 3,503**	**$ 11,408**	**$ 5,550**	**$ 1,163,629**
2021						
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 1,607	$ 6,800	$ 44	$ 41	$ 51	$ 8,543
CHANGE IN ASSUMPTIONS	—	91,459	—	464	702	92,625
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	16,780	—	15	80	16,875
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	—	—	—	—	—
TOTAL	**$ 1,607**	**$ 115,039**	**$ 44**	**$ 520**	**$ 833**	**$ 118,043**

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**
2023	$ (31,588)	$ (252,956)	$ (928)	$ (2,294)	$ (1,235)	$ (289,001)
2024	(28,946)	(236,226)	(849)	(2,113)	(1,144)	(269,278)
2025	(27,370)	(226,262)	(804)	(1,964)	(1,076)	(257,476)
2026	(31,342)	(243,309)	(922)	(2,276)	(1,224)	(279,073)
2027	—	(58)	—	527	79	548
THEREAFTER	—	2,486	—	1,193	403	4,082
TOTAL	**$ (119,246)**	**$ (956,325)**	**$ (3,503)**	**$ (6,927)**	**$ (4,197)**	**$ (1,090,198)**

(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, 2022 and 2021 was 19,609 and 18,871, respectively.

Funding Policy

Employee contribution rates, based on age, are 5%, 7.5% or 10% of salary. The University matches 100% of employee contributions. Within parameters established by the legislature, contribution requirements may be established or amended by the University of Washington Board of Regents. Employer contributions for the years ended June 30, 2022 and 2021 were $145.2 million and $137.8 million, respectively.

University of Washington Supplemental Retirement Plan

PLAN DESCRIPTION

UWSRP, a single-employer 401(a) defined-benefit retirement plan administered by the University, operates in tandem with the 403(b) plan to supplement the expected defined-contribution retirement savings accumulated under the UWRP. For purposes of measuring the June 30, 2022 and 2021 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, 2022 and 2021:

NUMBER OF PARTICIPANTS	June 30, 2022	June 30, 2021
ACTIVE EMPLOYEES	5,081	5,081
INACTIVE EMPLOYEES RECEIVING BENEFITS	1,076	1,076
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	160	160

VESTING AND BENEFITS PROVIDED

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

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

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

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the years ended June 30, 2022 and 2021 were $10.3 million and $9.7 million, respectively.

EMPLOYER CONTRIBUTIONS

State legislation which became effective on July 1, 2020, created an employer contribution rate for the UWSRP. This rate is developed by the OSA in accordance with RCW 41.45, which provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The University's contribution rate for the fiscal years ended June 30, 2022 and 2021 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in the fiscal year ended June 30, 2022 and 2021 were $6.6 million and $7.1 million, respectively. Prior to fiscal year 2021 employer contributions were not required.

PLAN INVESTMENTS

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

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

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

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. The annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense for the years ended June 30, 2022 and 2021 was 0.12% and 34.90%, respectively. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

UWSRP PENSION LIABILITY

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

As of June 30, 2022 and 2021, the University had set aside $345.3 million and $344.8 million, respectively, to pay future UWSRP retiree benefits. These assets are physically segregated in a separate investment account, and included in investments, net of current portion on the Statements of Net Position. The separate investment account was closed subsequent to June, 30, 2022 and the 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 became effective. As a result, the University is now applying accounting guidance for single employer plans that have trusted assets and reports the pension liability net of plan assets.

The components of the UWSRP liability were as follows:

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

	TPL (a)	PLAN FIDUCIARY NET POSITION (b)	NPL (a) minus (b)
BALANCE AS OF JULY 1, 2020	**$ 781,829**	**$ 60,961**	**$ 720,868**
SERVICE COST	22,877	—	22,877
INTEREST ON TPL	17,677	—	17,677
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(372,651)	—	(372,651)
CHANGE IN ASSUMPTIONS	(223,327)	—	(223,327)
EMPLOYER CONTRIBUTIONS	—	7,105	(7,105)
INVESTMENT INCOME	—	22,275	(22,275)
BENEFIT PAYMENTS	(9,733)	—	(9,733)
NET CHANGES	(565,157)	29,380	(594,537)
BALANCE AS OF JUNE 30, 2021	**216,672**	**90,341**	**126,331**
SERVICE COST	3,699	—	3,699
INTEREST ON TPL	15,933	—	15,933
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	67,986	—	67,986
CHANGE IN ASSUMPTIONS	22,150	—	22,150
EMPLOYER CONTRIBUTIONS	—	6,548	(6,548)
INVESTMENT INCOME	—	100	(100)
BENEFIT PAYMENTS	(10,313)	—	(10,313)
NET CHANGES	99,455	6,648	92,807
BALANCE AS OF JUNE 30, 2022	**$ 316,127**	**$ 96,989**	**$ 219,138**

The June 30, 2022 and 2021 TPL is based on an actuarial valuation performed as of June 30, 2020 with update procedures performed by the OSA to roll forward the TPL to the measurement dates of June 30, 2022 and 2021, respectively. The valuation was prepared using the entry age actuarial cost method.

UWSRP pension expense for the years ended June 30, 2022 and 2021 was $(37.8) million and $(29.6) million, respectively.

ACTUARIAL ASSUMPTIONS

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the University. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant impact on the University's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2022 and 2021:

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE UWSRP NET PENSION LIABILITY (NPL) *(Dollars in thousands)*		
	2022	**2021**
INFLATION	2.75%	2.75%
SALARY CHANGES	4.00%	4.00%
SOURCE OF MORTALITY ASSUMPTIONS	PUB. H-2010 TABLES, WITH THE MP-2017 MORTALITY IMPROVEMENT SCALE	PUB. H-2010 TABLES, WITH THE MP-2017 MORTALITY IMPROVEMENT SCALE
DATE OF EXPERIENCE STUDY	AUGUST 2021	AUGUST 2021
DISCOUNT RATE	7.00%	7.40%
CHANGE IN DISCOUNT RATE SINCE PRIOR MEASUREMENT DATE	(0.40)%	5.19%
SOURCE OF DISCOUNT RATE	2021 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY	2019 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY
INVESTMENT RATE OF RETURN	7.00%	7.40%
NPL MEASUREMENT AT DISCOUNT RATE	$219,138	$126,331
NPL DISCOUNT RATE INCREASED 1%	$188,305	$106,289
NPL DISCOUNT RATE DECREASED 1%	$255,190	$149,669

Material assumption changes during the measurement period ending June 30, 2022 included updating the discount rate from 7.40% to 7.00%. Material assumption changes during the measurement period ending June 30, 2021 included updating the discount rate from 2.21% to 7.40%. The source for the discount rate changed 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. Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income", were significantly lower than expected for the measurement period ending June 30, 2022, but were significantly higher than expected for the period ending June 30, 2021 (reflected as "Difference between expected and actual experience" in the Schedule of Changes in the UWSRP Liability).

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for both June 30, 2022 and 2021, are summarized in the following table:

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

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in thousands)*		
2022		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	127,881
CHANGE IN ASSUMPTIONS		123,322
TOTAL	**$**	**251,203**
2021		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	87,128
CHANGE IN ASSUMPTIONS		128,885
TOTAL	**$**	**216,013**

DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*		
2022		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	298,872
CHANGE IN ASSUMPTIONS		173,835
NET DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS		5,045
TOTAL	**$**	**477,752**
2021		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	365,021
CHANGE IN ASSUMPTIONS		211,024
NET DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS		14,004
TOTAL	**$**	**590,049**

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in thousands)*		
Year		
2023	$	(50,528)
2024		(50,528)
2025		(36,948)
2026		(27,630)
2027		(61,937)
THEREAFTER		1,022
TOTAL	**$**	**(226,549)**

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

NOTE 16:

Other Post Employment Benefits (OPEB)

PLAN DESCRIPTION

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

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

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

- The implicit subsidy, set up under RCW 41.05.022, is not a direct payment from the employer on behalf of the retiree. Retirees who are not yet eligible for Medicare benefits may currently continue to participate in the state's non-Medicare community-rated health insurance risk pool. Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums. Therefore, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. This results in an implicit subsidy since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.
- The explicit subsidy, permitted under RCW 41.05.085, is a set dollar amount which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy applicable to each calendar year, with the final amount approved by the state Legislature. The subsidy was $183 per member per month during fiscal year 2022 and 2021.

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

The table below shows the University's PEBB membership data as of June 30, 2022 and 2021:

NUMBER OF PARTICIPANTS	**2022** *(Measurement Date: 2021)*	**2021** *(Measurement Date: 2020)*
ACTIVE EMPLOYEES	37,168	36,491
INACTIVE EMPLOYEES RECEIVING BENEFITS	10,310	10,039
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	1,726	1,681

ACTUARIAL ASSUMPTIONS

Accounting requirements dictate the use of assumptions to best estimate the impact that OPEB obligations will have on the University. The professional judgments used by the Washington State Office of the State Actuary (OSA) in determining the assumptions used to value the state of Washington OPEB liability are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant impact on the University's financial statements. The following table shows significant assumptions used to measure the total OPEB liability (TOL) as of June 30, 2022 and 2021:

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

	2022	2021
INFLATION	2.75%	2.75%
HEALTHCARE COST TREND	INITIAL RATE RANGES FROM 2% - 11% REACHING AN ULTIMATE RATE OF 4.30% IN 2075.	INITIAL RATE RANGES FROM 2% - 11% REACHING AN ULTIMATE RATE OF 4.30% IN 2075.
SALARY INCREASE	3.50% PLUS SERVICE-BASED SALARY INCREASES	3.50% PLUS SERVICE-BASED SALARY INCREASES
SOURCE OF MORTALITY ASSUMPTIONS	SOCIETY OF ACTUARIES' PUB.H-2010 MORTALITY RATES, WITH APPLICATION OF THE LONG-TERM MP-2017 GENERATIONAL IMPROVEMENT SCALE AND UPDATED BASED ON RESULTS OF THE 2013-2018 DEMOGRAPHIC EXPERIENCE STUDY REPORT AND THE 2019 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY.	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	2013-2018 EXPERIENCE STUDY REPORT
DISCOUNT RATE	2.16%	2.21%
SOURCE OF DISCOUNT RATE	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/21 (MEASUREMENT DATE)	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/20 (MEASUREMENT DATE)
POST-RETIREMENT PARTICIPATION PERCENTAGE	65.00%	65.00%
TOL MEASUREMENT AT DISCOUNT RATE	$1,861,478	$1,696,027
TOL DISCOUNT RATE INCREASED 1%	$1,555,274	$1,417,706
TOL DISCOUNT RATE DECREASED 1%	$2,255,312	$2,053,470
TOL MEASUREMENT AT HEALTHCARE COST TREND RATE	$1,861,478	$1,696,027
TOL HEALTHCARE COST TREND RATE INCREASED 1%	$2,347,529	$2,116,928
TOL HEALTHCARE COST TREND RATE DECREASED 1%	$1,501,796	$1,382,082

Material assumption changes during the measurement period ending June 30, 2021 include updating the discount rate, as required by GASB 75. Material assumption changes during the measurement period ending June 30, 2020 include updating the discount rate, updating the forecasts of healthcare cost trend rate, and the mortality assumptions, as required by GASB 75.

CHANGES IN THE TOTAL OPEB LIABILITY

The TOL for the state of Washington as of June 30, 2022 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021. The TOL for the state of Washington as of June 30, 2021 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020, The measurement date for the TOL as of June 30, 2021 was the same as the valuation date. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the University. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine the University's proportionate share of the statewide TOL is the relationship of University active, healthcare-eligible employee headcount to the corresponding statewide total.

The University's proportionate share percentage was 28.8% and 28.0% as of June 30, 2022 and 2021, respectively.

The OPEB plan is funded on a pay-as-you-go basis. Accordingly, contributions from employers to the HCA occur only when benefits become due (after retirement). No qualified trust fund has been established dedicated to 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 JULY 1, 2020	**$**	**1,541,654**
SERVICE COST		70,380
INTEREST ON TOL		58,874
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE		(9,022)
CHANGE IN ASSUMPTIONS		38,164
BENEFIT PAYMENTS		(28,031)
CHANGE IN PROPORTIONATE SHARE		83,976
OTHER		(59,968)
BALANCE AS OF JUNE 30, 2021		**1,696,027**
SERVICE COST		93,039
INTEREST ON TOL		40,211
CHANGE IN ASSUMPTIONS		17,180
BENEFIT PAYMENTS		(30,635)
CHANGE IN PROPORTIONATE SHARE		45,656
BALANCE AS OF JUNE 30, 2022	**$**	**1,861,478**

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, 2022	$	97,356
YEAR ENDED JUNE 30, 2021		27,089

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*		
2022		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	31,841
CHANGE IN ASSUMPTIONS		118,548
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY		30,790
CHANGE IN PROPORTIONATE SHARE		123,536
TOTAL	**$**	**304,715**
2021		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	37,208
CHANGE IN ASSUMPTIONS		116,624
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY		29,832
CHANGE IN PROPORTIONATE SHARE		88,668
TOTAL	**$**	**272,332**

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*		
2022		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	7,206
CHANGE IN ASSUMPTIONS		337,494
CHANGE IN PROPORTIONATE SHARE		15,748
TOTAL	**$**	**360,448**
2021		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	8,019
CHANGE IN ASSUMPTIONS		399,994
CHANGE IN PROPORTIONATE SHARE		18,936
TOTAL	**$**	**426,949**

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		
2023	$	(35,893)
2024		(35,893)
2025		(35,893)
2026		(35,893)
2027		(6,097)
THEREAFTER		63,146
TOTAL	**$**	**(86,523)**

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

NOTE 17:

Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2022 and 2021 were $401.9 million and $172.3 million, respectively. These expenditures will be funded from institutional reserves, debt proceeds and state appropriations.

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

The University is also involved in various other claims and legal actions arising in the ordinary course of business. University management believes that any liabilities arising from these matters will not have a material impact on the University's financial statements.

The University is exposed to risk of loss related to tort liability, injuries to employees and loss of property. The University purchases insurance protection for workers' compensation as well as marine, foreign liability and certain other risks. The University also purchases insurance protection for loss of property at self-sustaining units, bond-financed buildings and when otherwise required by contract; otherwise, the risk of property loss is retained, unfunded. For medical professional liability, general liability, educator's legal liability including employment practices liability, and automobile liability the University maintains a program of self-insurance reserves and excess insurance coverage through Portage Bay Insurance (PBI), a wholly-owned subsidiary formed to provide the University with alternative risk financing options. PBI is incorporated as a nonprofit corporation in the state of Hawaii, and retains a Certificate of Authority as a pure captive insurance company. The University's self-insurance reserve (see note 9) represents the estimated ultimate cost of settling all self-insured claims resulting from events that have occurred on or before the Statements of Net Position date. The reserve includes the undiscounted amounts that will be required for future payments of claims that have been reported, and claims related to events that have occurred but have not yet been reported.

The self-insurance reserve is estimated using an actuarial calculation. The reserve is included in Long-Term Liabilities in the Statements of Net Position. Changes in the self-insurance reserve for the years ended June 30, 2022 and 2021 are noted below:

(Dollars in thousands)		**2022**		**2021**
RESERVE AT BEGINNING OF FISCAL YEAR	$	180,514	$	125,081
INCURRED CLAIMS AND CHANGES IN ESTIMATES		112,713		71,805
CLAIM PAYMENTS		(51,228)		(16,372)
RESERVE AT END OF FISCAL YEAR	**$**	**241,999**	**$**	**180,514**

REGULATORY COMPLIANCE

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

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

NOTE 18:

Blended Component Units

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

(Dollars in thousands) **Statements of Net Position – June 30, 2022**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
ASSETS							
TOTAL CURRENT ASSETS	$ 2,759,639	$ (35,817)	$ 2,555,447	$ 240,009	$ 173,063	$ 3,219	$ 63,727
NONCURRENT ASSETS:							
TOTAL OTHER ASSETS	8,876,832	(9,289)	8,592,900	293,221	149,424	12,995	130,802
CAPITAL ASSETS, NET	5,892,193	(10,528)	5,567,731	334,990	39,655	295,335	—
TOTAL ASSETS	17,528,664	(55,634)	16,716,078	868,220	362,142	311,549	194,529
DEFERRED OUTFLOWS OF RESOURCES	788,441	—	788,441	—	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 18,317,105**	**$ (55,634)**	**$ 17,504,519**	**$ 868,220**	**$ 362,142**	**$ 311,549**	**$ 194,529**
LIABILITIES							
TOTAL CURRENT LIABILITIES	$ 1,691,162	$ (15,873)	$ 1,609,921	$ 97,114	$ 71,579	$ 25,305	$ 230
TOTAL NONCURRENT LIABILITIES	5,805,201	(23,382)	5,272,561	556,022	28,589	285,434	241,999
TOTAL LIABILITIES	7,496,363	(39,255)	6,882,482	653,136	100,168	310,739	242,229
DEFERRED INFLOWS OF RESOURCES	2,467,357	(10,528)	2,477,885	—	—	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,963,720	(49,783)	9,360,367	653,136	100,168	310,739	242,229
NET POSITION							
NET INVESTMENT IN CAPITAL ASSETS	2,706,202	—	2,709,085	(2,883)	5,364	(8,247)	—
RESTRICTED:							
NONEXPENDABLE	2,053,755	—	2,053,755	—	—	—	—
EXPENDABLE	2,874,694	—	2,874,694	—	—	—	—
UNRESTRICTED	718,734	(5,851)	506,618	217,967	256,610	9,057	(47,700)
TOTAL NET POSITION	8,353,385	(5,851)	8,144,152	215,084	261,974	810	(47,700)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 18,317,105**	**$ (55,634)**	**$ 17,504,519**	**$ 868,220**	**$ 362,142**	**$ 311,549**	**$ 194,529**

(Dollars in thousands) **Statements of Net Position – June 30, 2021**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
ASSETS							
TOTAL CURRENT ASSETS	$ 2,753,567	$ (40,391)	$ 2,552,996	$ 240,962	$ 185,147	$ 2,846	$ 52,969
NONCURRENT ASSETS:							
TOTAL OTHER ASSETS	7,647,837	(8,782)	7,386,945	269,674	143,669	13,165	112,840
CAPITAL ASSETS, NET	5,810,069	(9,904)	5,468,458	351,515	36,070	315,445	—
TOTAL ASSETS	16,211,473	(59,077)	15,408,399	862,151	364,886	331,456	165,809
DEFERRED OUTFLOWS OF RESOURCES	742,444	—	742,444	—	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 16,953,917**	**$ (59,077)**	**$ 16,150,843**	**$ 862,151**	**$ 364,886**	**$ 331,456**	**$ 165,809**
LIABILITIES							
TOTAL CURRENT LIABILITIES	$ 1,686,068	$ (15,038)	$ 1,585,791	$ 115,315	$ 90,371	$ 24,769	$ 175
TOTAL NONCURRENT LIABILITIES	5,800,763	(8,782)	5,301,239	508,306	24,211	303,581	180,514
TOTAL LIABILITIES	7,486,831	(23,820)	6,887,030	623,621	114,582	328,350	180,689
DEFERRED INFLOWS OF RESOURCES	1,585,994	(9,904)	1,595,898	—	—	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,072,825	(33,724)	8,482,928	623,621	114,582	328,350	180,689
NET POSITION							
NET INVESTMENT IN CAPITAL ASSETS	2,615,659	—	(2,616,550)	891	6,545	(5,654)	—
RESTRICTED:							
NONEXPENDABLE	1,995,857	—	1,995,857	—	—	—	—
EXPENDABLE	3,086,738	—	3,086,738	—	—	—	—
UNRESTRICTED	182,838	(25,353)	(29,448)	237,639	243,759	8,760	(14,880)
TOTAL NET POSITION	7,881,092	(25,353)	7,667,915	238,530	250,304	3,106	(14,880)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 16,953,917**	**$ (59,077)**	**$ 16,150,843**	**$ 862,151**	**$ 364,886**	**$ 331,456**	**$ 165,809**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2022**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
REVENUES							
OPERATING REVENUES:							
STUDENT TUITION AND FEES	$ 1,125,269	$ —	$ 1,125,269	$ —	$ —	$ —	$ —
PATIENT SERVICES	2,442,588	(13,834)	2,007,809	448,613	448,613	—	—
GRANT REVENUE	1,695,876	—	1,695,876	—	—	—	—
OTHER OPERATING REVENUE	1,307,019	(171,387)	1,313,231	165,175	44,658	50,647	69,870
TOTAL OPERATING REVENUES	**6,570,752**	**(185,221)**	**6,142,185**	**613,788**	**493,271**	**50,647**	**69,870**
EXPENSES							
OPERATING EXPENSES:							
OTHER OPERATING EXPENSES	6,239,873	(157,576)	5,807,139	590,310	466,054	21,566	102,690
DEPRECIATION / AMORTIZATION	448,192	(1,602)	422,165	27,629	7,518	20,111	—
TOTAL OPERATING EXPENSES	**6,688,065**	**(159,178)**	**6,229,304**	**617,939**	**473,572**	**41,677**	**102,690**
OPERATING (LOSS) INCOME	**(117,313)**	**(26,043)**	**(87,119)**	**(4,151)**	**19,699**	**8,970**	**(32,820)**
NONOPERATING REVENUES (EXPENSES)							
STATE APPROPRIATIONS	484,915	—	484,915	—	—	—	—
GIFTS	218,012	—	218,017	(5)	(5)	—	—
INVESTMENT (LOSS)	(451,870)	—	(431,890)	(19,980)	(19,980)	—	—
OTHER NONOPERATING REVENUES (EXPENSES)	72,170	36,695	41,291	(5,816)	5,450	(11,266)	—
NET NONOPERATING REVENUES (EXPENSES)	**323,227**	**36,695**	**312,333**	**(25,801)**	**(14,535)**	**(11,266)**	**—**
INCOME (LOSS) BEFORE OTHER REVENUES	**205,914**	**10,652**	**225,214**	**(29,952)**	**5,164**	**(2,296)**	**(32,820)**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	174,769	(5,206)	173,468	6,507	6,507	—	—
GIFTS TO PERMANENT ENDOWMENTS	91,610	—	91,610	—	—	—	—
TOTAL OTHER REVENUES(EXPENSES)	**266,379**	**(5,206)**	**265,078**	**6,507**	**6,507**	**—**	**—**
INCREASE (DECREASE) IN NET POSITION	**472,293**	**5,446**	**490,292**	**(23,445)**	**11,671**	**(2,296)**	**(32,820)**
NET POSITION							
NET POSITION – BEGINNING OF YEAR	7,881,092	(11,297)	7,653,860	238,529	250,303	3,106	(14,880)
NET POSITION – END OF YEAR	**$ 8,353,385**	**$ (5,851)**	**$ 8,144,152**	**$ 215,084**	**$ 261,974**	**$ 810**	**$ (47,700)**

(Dollars in thousands)

Statements of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2021	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities	Portage Bay Insurance
REVENUES							
OPERATING REVENUES:							
STUDENT TUITION AND FEES	$ 1,032,697	$ —	$ 1,032,697	$ —	$ —	$ —	$ —
PATIENT SERVICES	2,207,768	11,854	1,773,945	421,969	421,969	—	—
GRANT REVENUE	1,566,805	—	1,566,805	—	—	—	—
OTHER OPERATING REVENUE	1,080,854	(143,752)	1,079,532	145,074	52,775	46,475	45,824
TOTAL OPERATING REVENUES	**5,888,124**	**(131,898)**	**5,452,979**	**567,043**	**474,744**	**46,475**	**45,824**
EXPENSES							
OPERATING EXPENSES:							
OTHER OPERATING EXPENSES	5,838,179	(96,526)	5,437,555	497,150	437,688	20,692	38,770
DEPRECIATION / AMORTIZATION	449,976	(1,512)	423,833	27,655	7,544	20,111	—
TOTAL OPERATING EXPENSES	**6,288,155**	**(98,038)**	**5,861,388**	**524,805**	**445,232**	**40,803**	**38,770**
OPERATING INCOME (LOSS)	**(400,031)**	**(33,860)**	**(408,409)**	**42,238**	**29,512**	**5,672**	**7,054**
NONOPERATING REVENUES (EXPENSES)							
STATE APPROPRIATIONS	480,826	—	480,826	—	—	—	—
GIFTS	214,620	—	214,268	352	352	—	—
INVESTMENT INCOME	1,317,798	—	1,290,667	27,131	27,131	—	—
OTHER NONOPERATING REVENUES (EXPENSES)	104,445	40,296	73,303	(9,154)	2,617	(11,771)	—
NET NONOPERATING REVENUES (EXPENSES)	**2,117,689**	**40,296**	**2,059,064**	**18,329**	**30,100**	**(11,771)**	**—**
INCOME (LOSS) BEFORE OTHER REVENUES	**1,717,658**	**6,436**	**1,650,655**	**60,567**	**59,612**	**(6,099)**	**7,054**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	189,360	(1,200)	189,060	1,500	1,500	—	—
GIFTS TO PERMANENT ENDOWMENTS	67,017	—	67,017	—	—	—	—
TOTAL OTHER REVENUES (EXPENSES)	**256,377**	**(1,200)**	**256,077**	**1,500**	**1,500**	**—**	**—**
INCREASE (DECREASE) IN NET POSITION	**1,974,035**	**5,236**	**1,906,732**	**62,067**	**61,112**	**(6,099)**	**7,054**
NET POSITION							
NET POSITION – BEGINNING OF YEAR	5,907,057	(16,533)	5,747,128	176,462	189,191	9,205	(21,934)
NET POSITION – END OF YEAR	**$ 7,881,092**	**$ (11,297)**	**$ 7,653,860**	**$ 238,529**	**$ 250,303**	**$ 3,106**	**$ (14,880)**

(Dollars in thousands) **Statements of Cash Flows - Year Ended June 30, 2022**	**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	$ (124,435)	$ —	$ (150,933)	$ 26,498	$ 12,009	$ (2,552)	$ 17,041
NONCAPITAL FINANCING ACTIVITIES	837,558	—	810,529	27,029	27,029	—	—
CAPITAL AND RELATED FINANCING ACTIVITIES	(406,916)	—	(389,564)	(17,352)	(1,237)	(16,115)	—
INVESTING ACTIVITIES	(285,395)	—	(260,862)	(24,533)	(25,727)	18,235	(17,041)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**20,812**	**—**	**9,170**	**11,642**	**12,074**	**(432)**	**—**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	141,924	—	63,565	78,359	62,261	16,098	—
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 162,736**	**$ —**	**$ 72,735**	**$ 90,001**	**$ 74,335**	**$ 15,666**	**$ —**

(Dollars in thousands) **Statements of Cash Flows- Year Ended June 30, 2021**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
NET CASH PROVIDED (USED) BY:							
OPERATING ACTIVITIES	$ (223,783)	$ —	$ (194,678)	$ (29,105)	$ (37,746)	$ (1,857)	$ 10,498
NONCAPITAL FINANCING ACTIVITIES	1,022,346	—	971,955	50,391	50,391	—	—
CAPITAL AND RELATED FINANCING ACTIVITIES	(432,029)	—	(430,036)	(1,993)	1,427	(3,420)	—
INVESTING ACTIVITIES	(373,712)	—	(364,138)	(9,574)	(4,592)	5,516	(10,498)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(7,178)**	**—**	**(16,897)**	**9,719**	**9,480**	**239**	**—**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	149,102	—	80,462	68,640	52,781	15,859	—
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 141,924**	**$ —**	**$ 63,565**	**$ 78,359**	**$ 62,261**	**$ 16,098**	**$ —**

NOTE 19:

Discrete Component Units

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

(Dollars in thousands) **Statements of Net Position**	**June 30, 2022** **Total Discrete Component Units**	**June 30, 2022** **Valley Medical Center**	**June 30, 2022** **Fred Hutchinson Cancer Center**	**June 30, 2021** **Total Discrete Component Units**	**June 30, 2021** **Valley Medical Center**	**June 30, 2021** **Fred Hutchinson Cancer Center**
ASSETS						
TOTAL CURRENT ASSETS	$ 1,832,376	$ 227,094	$ 1,605,282	$ 301,964	$ 301,964	$ —
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	490,145	142,362	347,783	155,165	155,165	—
CAPITAL ASSETS, NET	1,537,261	498,175	1,039,086	519,455	519,455	—
TOTAL ASSETS	3,859,782	867,631	2,992,151	976,584	976,584	—
DEFERRED OUTFLOWS OF RESOURCES	12,926	12,926	—	14,033	14,033	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 3,872,708**	**$ 880,557**	**$ 2,992,151**	**$ 990,617**	**$ 990,617**	**$ —**
LIABILITIES						
TOTAL CURRENT LIABILITIES	$ 499,524	$ 214,112	$ 285,412	$ 218,436	$ 218,436	$ —
TOTAL NONCURRENT LIABILITIES	2,150,430	388,074	1,762,356	436,532	436,532	—
TOTAL LIABILITIES	2,649,954	602,186	2,047,768	654,968	654,968	—
DEFERRED INFLOWS OF RESOURCES	54,332	54,332	—	52,603	52,603	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,704,286	656,518	2,047,768	707,571	707,571	—
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	102,860	97,276	5,584	118,301	118,301	—
RESTRICTED:						
NONEXPENDABLE	117,649	—	117,649	—	—	—
EXPENDABLE	88,283	1,337	86,946	1,112	1,112	—
UNRESTRICTED	859,630	125,426	734,204	163,633	163,633	—
TOTAL NET POSITION	1,168,422	224,039	944,383	283,046	283,046	—
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 3,872,708**	**$ 880,557**	**$ 2,992,151**	**$ 990,617**	**$ 990,617**	$ —

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position**	**June 30, 2022** **Total Discrete Component Units**	**Valley Medical Center**	**Fred Hutchinson Cancer Center**	**June 30, 2021** **Total Discrete Component Units**	**Valley Medical Center**	**Fred Hutchinson Cancer Center**
REVENUES						
OPERATING REVENUES:						
PATIENT SERVICES	$ 1,000,504	$ 730,575	$ 269,929	$ 707,368	$ 707,368	$ —
OTHER OPERATING REVENUE	852,322	66,842	785,480	73,450	73,450	—
TOTAL OPERATING REVENUES	**1,852,826**	**797,417**	**1,055,409**	**780,818**	**780,818**	**—**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	1,844,661	822,850	1,021,811	758,295	758,295	—
DEPRECIATION / AMORTIZATION	99,528	43,836	55,692	44,019	44,019	—
TOTAL OPERATING EXPENSES	**1,944,189**	**866,686**	**1,077,503**	**802,314**	**802,314**	**—**
OPERATING INCOME (LOSS)	**(91,363)**	**(69,269)**	**(22,094)**	**(21,496)**	**(21,496)**	**—**
NONOPERATING REVENUES (EXPENSES)						
PROPERTY TAX REVENUE	24,965	24,965	—	24,373	24,373	—
INVESTMENT INCOME	(99,120)	(8,193)	(90,927)	(2,231)	(2,231)	—
OTHER NONOPERATING REVENUES (EXPENSES)	(6,510)	(6,510)	—	3,853	3,853	—
NET NONOPERATING REVENUES (EXPENSES)	**(80,665)**	**10,262**	**(90,927)**	**25,995**	**25,995**	**—**
INCOME (LOSS) BEFORE OTHER REVENUES	**(172,028)**	**(59,007)**	**(113,021)**	**4,499**	**4,499**	**—**
CAPITAL GRANTS, GIFTS AND OTHER	(11,138)	—	(11,138)	—	—	—
INCREASE (DECREASE) IN NET POSITION	**(183,166)**	**(59,007)**	**(124,159)**	**4,499**	**4,499**	**—**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	1,351,588	283,046	1,068,542	278,547	278,547	—
NET POSITION – END OF YEAR	**$ 1,168,422**	**$ 224,039**	**$ 944,383**	**$ 283,046**	**$ 283,046**	**$ —**

Schedules of Required Supplementary Information

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

(Dollars in thousands)	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.80%	8.17%	8.05%	8.20%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 107,461	$ 288,564	$ 309,671	$ 366,403
UNIVERSITY'S COVERED PAYROLL	$ 1,343,149	$ 1,227,868	$ 1,116,298	$ 1,074,943
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	8.00%	23.50%	27.74%	34.09%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	88.74%	68.64%	67.12%	63.22%

(Dollars in thousands)	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.44%	8.46%	8.33%	8.28%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 400,426	$ 454,341	$ 435,853	$ 417,231
UNIVERSITY'S COVERED PAYROLL	$ 1,043,335	$ 987,405	$ 927,002	$ 882,215
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	38.38%	46.01%	47.02%	47.29%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	61.24%	57.03%	59.10%	61.19%

(Amounts determined as of the measurement date)

PERS 1 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 443	$ 710	$ 970	$ 1,231
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 442	$ 710	$ 971	$ 1,234
CONTRIBUTION DEFICIENCY (EXCESS)	$ 1	$ —	$ (1)	$ (3)
UNIVERSITY'S COVERED PAYROLL	$ 1,437,993	$ 1,343,149	$ 1,227,868	$ 1,116,298
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.03%	0.05%	0.08%	0.11%

(Dollars in thousands)	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,582	$ 1,788	$ 2,155	$ 2,058
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,578	$ 1,769	$ 2,155	$ 2,059
CONTRIBUTION DEFICIENCY (EXCESS)	$ 4	$ 19	$ —	$ (1)
UNIVERSITY'S COVERED PAYROLL	$ 1,074,943	$ 1,043,335	$ 987,405	$ 927,002
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	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)	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	11.18%	10.47%	10.18%	10.24%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY	$ (1,114,120)	$ 133,891	$ 98,901	$ 174,913
UNIVERSITY'S COVERED PAYROLL	$ 1,337,667	$ 1,220,321	$ 1,106,678	$ 1,062,415
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(83.29)%	10.97%	8.94%	16.46%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	120.29%	97.22%	97.77%	95.77%

(Dollars in thousands)	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	10.48%	10.36%	10.20%	10.00%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 364,073	$ 521,777	$ 364,303	$ 202,225
UNIVERSITY'S COVERED PAYROLL	$ 1,027,338	$ 967,955	$ 904,661	$ 856,839
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	35.44%	53.91%	40.27%	23.60%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	90.97%	85.82%	89.20%	93.29%

(Amounts determined as of the measurement date)

PERS 2/3 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 148,636	$ 173,198	$ 156,919	$ 141,681
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 147,638	$ 173,204	$ 157,000	$ 141,618
CONTRIBUTION DEFICIENCY (EXCESS)	$ 998	$ (6)	$ (81)	$ 63
UNIVERSITY'S COVERED PAYROLL	$ 1,433,725	$ 1,337,667	$ 1,220,321	$ 1,106,678
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	10.37%	12.95%	12.86%	12.80%

(Dollars in thousands)	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 134,239	$ 114,852	$ 107,424	$ 83,323
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 134,366	$ 114,968	$ 108,413	$ 83,342
CONTRIBUTION DEFICIENCY (EXCESS)	$ (127)	$ (116)	$ (989)	$ (19)
UNIVERSITY'S COVERED PAYROLL	$ 1,062,415	$ 1,027,338	$ 967,955	$ 904,661
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	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)	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.35%	0.28%	0.25%	0.24%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 2,337	$ 6,800	$ 6,200	$ 7,061
UNIVERSITY'S COVERED PAYROLL	$ 25,479	$ 20,153	$ 16,677	$ 13,986
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	9.17%	33.74%	37.18%	50.49%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	91.42%	70.55%	70.37%	66.52%

(Dollars in thousands)	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.20%	0.16%	0.13%	0.10%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 6,076	$ 5,463	$ 4,049	$ 2,881
UNIVERSITY'S COVERED PAYROLL	$ 10,967	$ 7,813	$ 5,790	$ 3,905
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	55.40%	69.92%	69.93%	73.78%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	65.58%	62.07%	65.70%	68.77%

(Amounts determined as of the measurement date)

TRS 1 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 42	$ 56	$ 55	$ 52
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 42	$ 56	$ 55	$ 52
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ —	$ —
UNIVERSITY'S COVERED PAYROLL	$ 28,990	$ 25,479	$ 20,153	$ 16,677
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.15%	0.22%	0.27%	0.31%

(Amounts determined as of the fiscal year end)

TRS 1 - SCHEDULE OF CONTRIBUTIONS (continued)

(Dollars in thousands)	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 48	$ 39	$ 38	$ 44
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 48	$ 40	$ 38	$ 42
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ (1)	$ —	$ 2
UNIVERSITY'S COVERED PAYROLL	$ 13,986	$ 10,967	$ 7,813	$ 5,790
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	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)	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.34%	0.28%	0.25%	0.24%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY	$ (9,301)	$ 4,233	$ 1,487	$ 1,066
UNIVERSITY'S COVERED PAYROLL	$ 25,124	$ 19,800	$ 16,337	$ 13,664
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(37.02)%	21.38%	9.10%	7.80%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	113.72%	91.72%	96.36%	96.88%

(Dollars in thousands)	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.19%	0.15%	0.12%	0.08%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 1,796	$ 2,077	$ 969	$ 252
UNIVERSITY'S COVERED PAYROLL	$ 10,669	$ 7,507	$ 5,367	$ 3,391
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	16.83%	27.67%	18.05%	7.43%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	93.14%	88.72%	92.48%	96.81%

(Amounts determined as of the measurement date)

TRS 2/3 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 4,202	$ 3,945	$ 3,068	$ 2,511
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 4,198	$ 3,943	$ 3,029	$ 2,470
CONTRIBUTION DEFICIENCY (EXCESS)	$ 4	$ 2	$ 39	$ 42
UNIVERSITY'S COVERED PAYROLL	$ 28,704	$ 25,124	$ 19,800	$ 16,337
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	14.64%	15.70%	15.49%	15.37%

(Dollars in thousands)	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 2,036	$ 1,401	$ 956	$ 558
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 2,029	$ 1,410	$ 985	$ 555
CONTRIBUTION DEFICIENCY (EXCESS)	$ 7	$ (9)	$ (29)	$ 3
UNIVERSITY'S COVERED PAYROLL	$ 13,664	$ 10,669	$ 7,507	$ 5,367
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	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)	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION ASSET	0.18%	0.22%	0.23%	0.23%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET	$ 10,480	$ 4,535	$ 5,365	$ 4,590
UNIVERSITY'S COVERED PAYROLL	$ 4,187	$ 5,059	$ 4,882	$ 4,487
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET AS A PERCENTAGE OF ITS COVERED PAYROLL	250.30%	89.64%	109.91%	102.30%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION ASSET	142.00%	115.83%	119.43%	118.50%

(Dollars in thousands)	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION ASSET	0.22%	0.25%	0.20%	0.21%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET	$ 2,995	$ 1,430	$ 2,083	$ 2,844
UNIVERSITY'S COVERED PAYROLL	$ 4,061	$ 4,474	$ 3,534	$ 3,581
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET AS A PERCENTAGE OF ITS COVERED PAYROLL	73.74%	31.97%	58.94%	79.42%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION ASSET	113.36%	106.04%	111.67%	116.75%

(Amounts determined as of the measurement date)

LEOFF 2 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 328	$ 367	$ 444	$ 436
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 327	$ 367	$ 446	$ 435
CONTRIBUTION DEFICIENCY (EXCESS)	$ 1	$ —	$ (2)	$ 1
UNIVERSITY'S COVERED PAYROLL	$ 3,760	$ 4,187	$ 5,059	$ 4,882
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	8.72%	8.77%	8.78%	8.93%

(Dollars in thousands)	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 400	$ 348	$ 384	$ 303
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 403	$ 352	$ 384	$ 300
CONTRIBUTION DEFICIENCY (EXCESS)	$ (3)	$ (4)	$ —	$ 3
UNIVERSITY'S COVERED PAYROLL	$ 4,487	$ 4,061	$ 4,474	$ 3,534
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	8.91%	8.57%	8.58%	8.57%

(Amounts determined as of the fiscal year end)

Unaudited – see accompanying notes to financial statements

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (UWSRP) SCHEDULE OF CHANGES IN NET PENSION LIABILITY (NPL)		
(Dollars in thousands)	**2022**	**2021**
TOTAL PENSION LIABILITY - BEGINNING	$ 216,672	$ 781,829
SERVICE COST	3,699	22,877
INTEREST ON TPL	15,933	17,677
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	67,986	(372,651)
CHANGE IN ASSUMPTIONS	22,150	(223,327)
BENEFIT PAYMENTS	(10,313)	(9,733)
NET CHANGE IN TOTAL PENSION LIABILITY	99,455	(565,157)
TOTAL PENSION LIABILITY - ENDING (a)	**316,127**	**216,672**
PLAN FIDUCIARY NET POSITION - BEGINNING	**90,341**	**60,961**
EMPLOYER CONTRIBUTIONS	6,548	7,105
NET INVESTMENT INCOME	100	22,275
NET CHANGE IN PLAN FIDUCIARY NET POSITION	6,648	29,380
PLAN FIDUCIARY NET POSITION - ENDING (b)	**96,989**	**90,341**
UWSRP NET PENSION LIABILITY (a) minus (b)	**$ 219,138**	**$ 126,331**
PLAN FIDUCIARY NET POSITION AS PERCENTAGE OF THE TOTAL PENSION LIABILITY	30.68 %	41.69 %
UWSRP COVERED PAYROLL	$ 1,723,087	$ 1,733,240
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	12.72 %	7.29 %

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (UWSRP) SCHEDULE OF UWSRP CONTRIBUTIONS		
(Dollars in thousands)	**2022**	**2021**
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 6,548	$ 6,586
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 6,548	$ 7,105
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ (519)
UWSRP COVERED PAYROLL	$ 1,723,087	$ 1,733,240
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.38 %	0.41 %

(Amounts determined as of the fiscal year end)

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

Unaudited – see accompanying notes to financial statements

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

Plans administered by DRS

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

Additional Considerations on ADC for All Plans:

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

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

Plans administered by the University

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

Covered payroll for the fiscal year ending June 30, 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.

Material assumption changes during the fiscal year 2022 measurement period includes updating the discount rate from 7.40% to 7.00% ("Change in assumption" which increased the TPL). In addition, CREF investment experience during fiscal year 2022 was significantly lower than expected ("Difference between expected and actual experience" which also increased the TPL).

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

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 2022 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 2.21% for the June 30, 2020 measurement date, to 2.16% for the June 30, 2021 measurement date. This change resulted in an increase in the TOL.

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

This publication was prepared by UW Finance. Published November 2022.

The 2022 UW Financial Report and reports from previous years are available at annualreport.uw.edu

For more information, contact Financial Accounting at 206.221.7845 or accountg@uw.edu

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DESIGN, PRODUCTION, AND PRINT COORDINATION: UW Creative Communications

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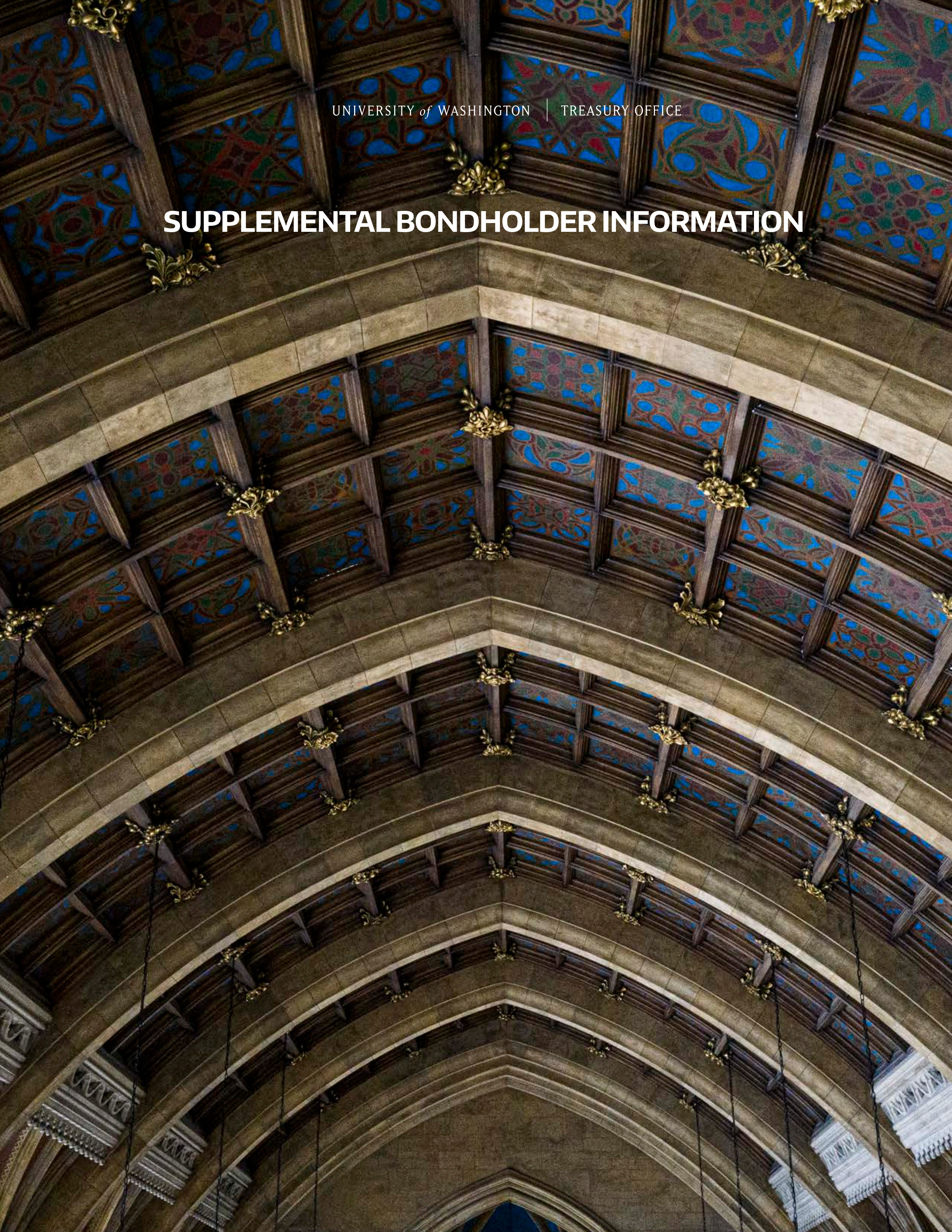
SUPPLEMENTAL BONDHOLDER INFORMATION



OFFICIAL STATEMENT DISCLOSURES

2022 CONTINUING DISCLOSURE	LOCATION IN BONDHOLDERS REPORT
The audited financial statements of the University for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.	Section 2 (UW Financial Report)
The amount of University revenue and other debt outstanding in that Fiscal Year.	Revenue: Section 2 (UW Financial Report - SRECNP) Debt: Section 3 (Supplemental Bondholder Information), Section 2 (UW Financial Report - Notes 10 - 12)
Student enrollment information for that Fiscal Year, generally of the type provided in the table entitled “Applications, Students and Enrollment” under the heading “ADMISSIONS, STUDENT ENROLLMENT AND FACULTY” and distribution of undergraduate enrollment among University campuses.	Section 3 (Supplemental Bondholder Information)
Course and conference registrations within the Professional and Continuing Education program by Fiscal Year.	Section 2 (UW Financial Report - University Facts)
Information regarding the number of faculty and tenure rate for that Fiscal Year, generally of the type provided in the table entitled “Faculty Data.”	Section 3 (Supplemental Bondholder Information)
Information regarding room and board fees, autumn opening occupancy and occupancy for that Fiscal Year, generally of the type provided in the table entitled “Student Housing and Dining Data.”	Section 3 (Supplemental Bondholder Information)
General Revenues and General Revenue components for that Fiscal Year, generally of the type provided in the table entitled “General Revenues” under the headings General Revenue (Exclusions from Total Revenue) and General Revenue (By Component).	Section 4 (General Revenues)
General Net Position. Illustrative information, if any, regarding effects of certain GASB Statements on General Net Position may be provided in narrative, tabular or other form.	Section 2 (UW Financial Report - MD&A)
Grant and contract revenues for that Fiscal Year, and amount or percentage of grant and contract revenues from federal sources.	Section 2 (UW Financial Report - SRECNP)
Information regarding the amount or percentage of revenues from Medicare or Medicaid payments in that Fiscal Year.	Section 3 (Supplemental Bondholder Information)
Operating expenses by type of expenditure in that Fiscal Year.	Section 2 (UW Financial Report - MD&A)
Expenditures of State capital and operating appropriations to the University for such Fiscal Year, of the type provided in the table entitled “Expenditures of State Appropriations to the University by Type”.	Section 2 (UW Financial Report - SRECNP)
Patient activity statistics for the UW Medicine hospital with revenues included in General Revenues for that Fiscal Year. Other patient activity statistics provided 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, Fiscal Year 2022.”	Section 2 (UW Financial Report - MD&A)
Total University expenditures by category for that Fiscal Year.	Section 2 (UW Financial Report - MD&A and SRECNP)

CONTINUES NEXT PAGE

2022 CONTINUING DISCLOSURE	LOCATION IN BONDHOLDERS REPORT
University total net assets and unrestricted net assets, of the type presented under the heading “UNIVERSITY OF WASHINGTON—Other University Financial Information—University Net Assets.”	Section 2 (UW Financial Report - SNP)
A description of any material changes to the University’s obligations with respect to its pension plans, generally of the type presented under the heading “LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION — Pension Plans.”	Section 2 (UW Financial Report - Note 16)
A description of any material changes to the University’s obligations with respect to other post-employment benefits, generally of the type presented under the heading “LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION—Other Post-Employment Benefits (“OPEB”).”	Section 2 (UW Financial Report - Note 17)
Amount of the University’s self-insurance reserve, of the type presented under the heading “OTHER UNIVERSITY INFORMATION—Risk Management.”	Section 2 (UW Financial Report - Note 10)

APPLICATIONS, STUDENTS & ENROLLMENT

	AUTUMN QUARTER[1]	
	2021 FY22	2022 FY23
UNDERGRADUATE		
Freshmen		
Applied	55,496	58,999
Accepted	31,664	30,682
Percent Accepted to Applied	57%	52%
Enrolled	8,776	9,011
Percent Enrolled to Accepted	28%	29%
Transfers		
Applied	7,805	7,217
Accepted	4,566	4,026
Percent Accepted to Applied	59%	56%
Enrolled	2,894	2,449
Percent Enrolled to Accepted	63%	62%
Total Undergraduate FTE[2]		
Bothell	5,094	4,866
Seattle	30,912	31,438
Tacoma	4,124	3,879
Total All Campuses	40,130	40,183
Totals Undergraduate Headcount		
Bothell	5,471	5,213
Seattle	32,779	33,300
Tacoma	4,339	4,103
Total All Campuses	42,589	42,616
Additional Enrollment Statistics		
Percent of Undergraduates Outside State—Domestic[3]	16%	17%
Percent of Undergraduates Outside State—International[3]	12%	12%
Percent Retention (Freshman to Sophomore)	91%	91%
Mean GPA	3.76	3.77
Median GPA	3.84	3.86
Percent of Class Reporting GPA Data	100%	100%
Mean Combined SAT Scores	1307	1361
Median Combined SAT Scores	1340	1400
Percent of Class Reporting SAT Data	18%[4]	16%
GRADUATE		
Applied	36,578	34,437
Accepted	11,573	11,121
Percent Accepted to Applied	32%	32%
Enrolled	5,258	4,874
Percent Enrolled to Accepted	45%	44%
Graduate FTE	16,106	16,215
Graduate Headcount[4]	15,348	15,265

(1) Unless otherwise noted, all figures include Seattle, Tacoma and Bothell campuses.
(2) Full-time equivalent ("FTE") defined as an undergraduate carrying 12 credit hours or a graduate student carrying 10 credit hours. FTE exceeds headcount enrollment when students take more credit hours than the credit hour threshold equating to one FTE.
(3) Based on headcount.
(4) Prior report overstated FY22 Graduate Headcount by 10. The correct count is stated above.

APPLICATIONS, STUDENTS & ENROLLMENT CONTINUED

	AUTUMN QUARTER[1]	
	2021 FY22	2022 FY23
PROFESSIONAL		
Law		
Applied	3,054	2,671
Accepted	781	809
Enrolled	172	181
Law Headcount	476	511
Pharmacy		
Applied	333	324
Accepted	188	203
Enrolled	110	80
Pharmacy Headcount	419	396
Dentistry		
Applied	629	690
Accepted	112	85
Enrolled	63	63
Dental Headcount	267	266
Medicine		
Applied	9,579	7,631
Accepted	351	344
Enrolled	270	270
Medicine Headcount	1,008	1,027
Total Professional FTE	4,123	4,023
Total Professional Headcount	2,170	2,200
Tuition and Fees (full academic year)[2]		
Undergraduate Resident	$12,352	$12,518
Undergraduate Non-Resident	$40,182	$41,016
Graduate Resident	$18,030	$18,333
Graduate Non-Resident	$31,188	$31,806
Business Masters Resident	$37,035	$38,721
Business Masters Non-Resident	$53,877	$56,403
Law Resident	$40,311	$41,964
Law Non-Resident	$51,810	$53,730
Pharmacy Resident	$34,611	$35,511
Pharmacy Non-Resident	$56,856	$57,759
Medical Resident	$40,458	$40,362
Medical Non-Resident	$71,121	$71,025
Dentistry Resident	$48,615	$48,519
Dentistry Non-Resident	$74,187	$74,091
University FTE[3]		
Undergraduate	40,130	40,183
Graduate	16,106	16,215
Professional	4,123	4,023
Total University FTE	60,359	60,421
University Headcount		
Undergraduate	42,588	42,616
Graduate[4]	15,358	15,265
Professional	2,170	2,200
Total University Headcount[4]	60,116	60,081

(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.
(4) Prior report overstated FY22 Graduate and Total Headcount by 10. The correct count is stated above.

FACULTY & OTHER DATA

	AUTUMN QUARTER		
	2020 FY21	2021 FY22	2022 FY23[2]
FACULTY DATA[1]			
Number of faculty	5,204	5,602	N/A
Tenure rate (%)	48%	48%	N/A
Percent holding terminal degree (Ph.D., MD, DDS)	80%	86%	N/A
HOUSING AND DINING[3]			
Room and Board[4]	$13,361	$13,621	$14,417
Autumn Opening Occupancy[5]	3,459[6]	9,247	8,654
Occupancy[7]	45%[6]	108%	110%

(1) Full time equivalents – restated (historically) using centralized data source and enterprise definitions.
(2) Final Autumn 2022 faculty data is not yet available.
(3) Figures include residence hall units and exclude single student and family housing apartments. Seattle campus only.
(4) Room and board pricing is for the full academic year. The room portion of annual room and board pricing is the weighted average of all residence hall double rooms in inventory, and the dining portion is for a representative meal plan.
(5) Autumn opening occupancy is used to calculate capacity.
(6) Significant reductions in 2020 occupancy reflect impacts of COVID-19.
(7) 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 AND VALLEY FINANCIAL INFORMATION ($000)	Year Ending June 30, 2021[2][3]	Year Ending June 30, 2022[2][3]
UW Medical Center		
Total Operating Revenue[4]	$ 1,906,583	$ 1,974,678
Operating Margin	1.1%	0.7%
Net Income[5]	$ 147,835	$ 85,048
Northwest[5][6]		
Total Operating Revenue[4]	N/A	N/A
Operating Margin	N/A	N/A
Net Income[5]	N/A	N/A
Valley		
Total Operating Revenue[4]	$ 780,818	$ 797,416
Operating Margin	(4.8%)	(10.8%)
Net Income[5]	$ 4,500	$ (59,007)
UW Medicine Select Units - UW Division		
Total Operating Revenue[4]	$ 2,466,110	$ 2,561,369
Operating Margin	1.0%	1.2%
Net Income[5]	$ 173,292	$ 172,846

UW MEDICAL CENTER, NORTHWEST, VALLEY, AND CLINICAL ENTERPRISE PATIENT STATISTICS	Year Ending June 30, 2021[7]	Year Ending June 30, 2022[7]
UW Medical Center		
Admissions	27,370[8]	27,583[8]
Outpatient Visits	400,575[8]	435,946[8]
Emergency Visits	55,781[8]	61,146[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	16,080	15,627
Outpatient Visits	660,865	701,949
Emergency Visits	72,175	80,237
UW Medicine Select Units - UW Division		
Admissions	27,320	27,583
Outpatient Visits	748,051	802,558
Emergency Visits	55,781	61,146

MEDICARE/MEDICAID PAYMENTS	2021	2022
Percent of Gross Patient Services Revenue[9]	**54%**	**55%**

(1) As of FY22, the "Clinical Enterprise" has been 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. 2021 figures adjusted to reflect restatements due to GASB 87 - Leases.

(2) Includes net pension and post retirement obligations income/(expense) of $52,687,000 in 2021 and $145,470,000 in 2022 for the entities included in the UW Medicine Select Units - UW Division Financial Statement; these figures include $41,576,000 in 2021 and $118,553,000 in 2022 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) Income before capital contributions and other transfers.

(6) 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 FY21 and FY22, respectively, were $330 million and $380 million. Net revenue is post-integration and is included within the UW Medical Center financial results.

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

(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 FY21 and FY22, respectively, were as follows: Admissions, 8,257 and 8,384; Outpatient Visits, 194,783 and 189,950; Emergency Visits, 28,827 and 32,073.

(9) Reflects UW Medicine Select Units - UW Division gross patient services revenue only. For the years ended June 30, 2021 and 2022, Medicare revenue represented 37 percent and 39 percent respectively; Medicaid revenue represented 17 percent and 16 percent, respectively.

CONSOLIDATED ENDOWMENT AND INVESTED FUNDS

MARKET VALUES AND RETURNS ($000)

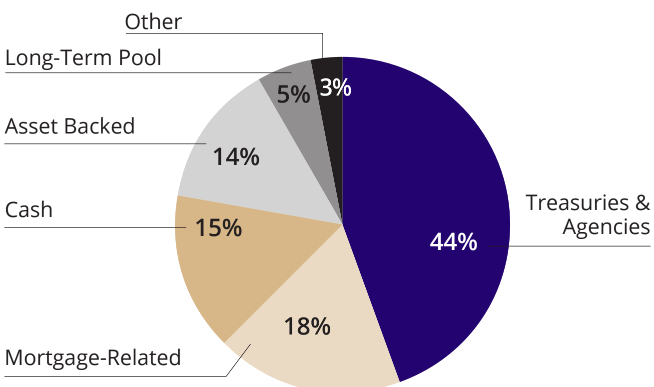
INVESTED FUNDS (IF)	Year Ending June 30, 2021	Year Ending June 30, 2022
Total Market Value[1]	$2,600	$2,603
Annualized One-Year Return	0.6%	(2.7%)

CONSOLIDATED ENDOWMENT FUND (CEF)[2]	Year Ending June 30, 2021	Year Ending June 30, 2022
Total Market Value	$4,712	$4,678
Annualized One-Year Return	35.1%	(5.5%)

IF PORTFOLIO BREAKDOWN

$2,603

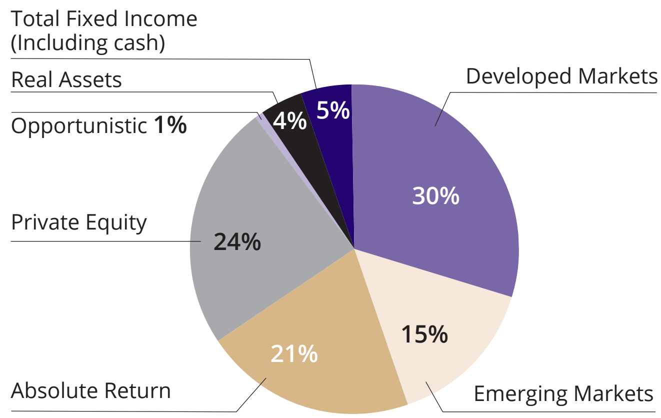
(as of 06/30/2022)



CEF PORTFOLIO BREAKDOWN

$4,678

(as of 06/30/2022)



ENDOWMENT RETURN & SPENDING	Year Ending June 30, 2021	Year Ending June 30, 2022
Total Annual Return on Endowment	$1,243	($270)
Amount of Annual Return Spent	$169	$182
Effective Actual Annual Spending Rate	4.7%	3.9%

CEF SPENDING POLICY

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

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

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

(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,	
	2021	2022
Daily Liquidity[1] [2]		
Checking & Deposit Accounts	$ 61,712	$ 66,530
Money Market Funds	90,881	117,674
U.S. Treasuries & Agencies	1,822,589	1,806,869
Total Daily Liquidity	**1,975,181**	**1,991,073**
Other Assets[3]	686,371	678,736
Total Daily & Weekly Liquidity	**$ 2,661,552**	**$ 2,669,809**

(1) 2021 includes approximately $209 million of deferred FICA taxes and Medicare advance payments to be repaid. 2022 includes approximately $57 million in FICA taxes to be repaid.

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

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

Note: Totals may not sum due to rounding.

FUTURE DEBT SERVICE

as of June 30, 2022

($000)	FISCAL YEAR					
	2023	2024	2025	2026	2027	2028 – 2051
TOTAL UNIVERSITY DEBT SERVICE						
State General Obligation Bonds	$ 13,380	$ 13,298	$ 9,849	$ 5,790	$ 5,476	$ 3,780
State Certificates of Participation	$ 289	$ 291	$ –	$ –	$ –	$ –
Revenue Bonds						
General Revenue Bonds[1]	$ 132,892	$ 133,484	$ 146,074	$ 147,809	$ 148,074	$ 2,367,097
Lease Revenue Bonds[2]	$ 31,782	$ 28,221	$ 28,047	$ 26,763	$ 26,613	$ 309,874
Subtotal: General Revenue Bonds Debt Service	**$ 178,343**	**$ 175,294**	**$ 183,970**	**$ 180,362**	**$ 180,163**	**$ 2,680,751**
Commercial Paper	$ 128	$ –	$ –	$ –	$ –	$ –
Equipment Leases & Others[3][4]	$ 20,565	$ 23,543	$ 21,697	$ 21,408	$ 21,277	$ 106,323
Total Debt Service All Obligations	**$ 199,036**	**$ 198,837**	**$ 205,667**	**$ 201,770**	**$ 201,440**	**$ 2,787,074**

(1) General Revenue Bonds Series 2009A&B, 2010B, 2012C, 2013, 2015ABC&D, 2016A&B, 2018, 2020AB&C, 2021A&B, 2022AB&C.
(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. As of FY22, 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.

Note: Totals may not foot due to rounding. For additional outstanding debt information, see Section 2 (UW Financial Report, Notes 9-11).

SUPPLEMENTAL FINANCIAL INFORMATION

UNIVERSITY OF WASHINGTON

Supplementary Information

June 30, 2022 and 2021

(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 years ended June 30, 2022 and 2021, and have issued our report thereon dated October 28, 2022 which contained an unmodified opinion on those financial statements that collectively comprise the University's basic financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the Board of Regents and management of the University of Washington and rating agencies and bondholders who have previously received the financial statements of the University of Washington as of and for the years ended June 30, 2022 and 2021, 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
October 28, 2022

UNIVERSITY OF WASHINGTON

Reconciliation of Total University Revenue to General Revenue

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021 – Restated
General revenue:			
Total revenue	$	7,268,730	8,384,721
Less:			
State appropriations		484,915	480,826
Grant and contract direct costs		1,436,366	1,331,027
Gifts		218,012	214,620
Revenues of component units		412,365	430,391
Student activities fees and U-Pass fees		50,866	36,393
Student technology fees, student building fees, and student loan funds		85,255	81,574
Metropolitan Tract		62,872	66,337
Trust and endowment (loss) income, net unrealized gains on noninvested funds investments, component unit investment income, and other restricted investment income		(401,588)	1,285,833
Capital appropriations		127,892	69,557
Capital grants, gifts and other		46,877	119,803
Other nonoperating revenues		124,662	163,232
Gifts to permanent endowments		91,610	67,017
Total general revenue	$	4,528,626	4,038,111
General revenue components:			
Student tuition and fees (less student activities fees, U-Pass fees, technology fees, building fees, and loan funds)	$	1,002,960	914,721
Grant and contract indirect costs		308,720	287,747
Invested funds distribution and net invested funds unrealized gains and losses (note 2)		(50,282)	31,965
Sales and services of educational departments		510,639	463,060
Patient services		2,007,809	1,770,427
Auxiliary systems		510,938	314,068
Other operating revenues		231,173	256,123
Other nonoperating revenues		6,669	—
Total general revenue	$	4,528,626	4,038,111

See accompanying notes to supplementary information.

UNIVERSITY OF WASHINGTON

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

June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021 – Restated
Total University unrestricted net position per financial statements	$	718,734	182,838
Less:			
Student and activities fees		28,009	27,846
Net position (deficit) of component units:			
Association of University Physicians		249,063	239,856
UW Neighborhood Clinics		7,546	3,903
Northwest Hospital		(131,628)	(131,628)
Real estate entities		9,057	8,760
Total to be excluded, net		162,047	148,737
General net position, including pensions and other post-employment benefits (OPEB)		556,687	34,101
Impact of GASB 68 – Pensions		(84,909)	316,325
Impact of GASB 75 – OPEB		1,917,208	1,850,642
General net position, excluding GASB 68 pensions and OPEB *	$	2,388,986	2,201,068

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

See accompanying notes to 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 Statements 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, 2022, as part of the General Revenue components.

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

Unrestricted Net Position as of June 30, 2022 and 2021, is below historical levels due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, during fiscal year 2015 and the implementation of GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), during fiscal year 2018 (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.

On July 1, 2021, the University implemented GASB Statement No. 87, *Leases.* This Statement changed the accounting and financial reporting for leases by establishing a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. As a result of the implementation, the University has applied the standard retroactively as of July 1, 2020. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2021 have been restated to conform with the requirements of this Statement and the current year presentation. These restatements are similarly reflected in the Reconciliation of Total University Revenue to General Revenue for the year ended June 30, 2021, and the Reconciliation of Total University of Washington Unrestricted Net Position to General Net Position as of June 30, 2021.

(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)

Basic Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

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

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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 years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University of Washington Housing and Food Services' basic financial statements for the years 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 Department as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University of Washington Housing and Food Services 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

Reporting Entity

As discussed in note 1, the financial statements of the University of Washington Housing and Food Services 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 University of Washington Housing and Food Services. They do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2022 or 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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 University of Washington Housing and Food Services' 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 3 through 12 and the schedules of required supplementary information on pages 48 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Seattle, Washington
November 3, 2022

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

Management Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Discussion and Analysis Prepared by Management

The following discussion and analysis provides an overview of the financial position and activities of the University of Washington Housing and Food Services (HFS) as of and for the years ended June 30, 2022, 2021, and 2020. 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, 2022 or 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Overview of the Financial Statements

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

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

Summary Statements of Net Position

		2022	2021	2020
Assets:				
Current assets	$	110,803,846	45,034,840	58,251,844
Noncurrent assets		592,746,131	613,629,797	646,001,923
Total assets		703,549,977	658,664,637	704,253,767
Deferred outflows		4,399,515	2,972,262	5,808,887
Total assets and deferred outflows	$	707,949,492	661,636,899	710,062,654
Liabilities:				
Current liabilities	$	45,694,618	38,373,808	35,742,231
Noncurrent liabilities		641,665,383	669,913,493	696,665,480
Total liabilities		687,360,001	708,287,301	732,407,711
Deferred inflows		23,205,929	9,503,867	10,611,935
Net position:				
Net investment in capital assets		(46,447,083)	(39,522,849)	(26,831,567)
Unrestricted		43,830,645	(16,631,420)	(6,125,425)
Total net position		(2,616,438)	(56,154,269)	(32,956,992)
Total liabilities and net position	$	707,949,492	661,636,899	710,062,654

(Continued)

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

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

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

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

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

Unrestricted net position includes HFS's share of retirement plan liabilities and assets. The plans disclosed in notes 8 and 9 provided a net deficit of $26.5 million and $31.2 million as of June 30, 2022 and 2021, respectively.

Statements of Revenue, Expenses, and Changes in Net Position

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

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

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

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

		2022	2021	2020
Operating revenue	$	150,639,003	62,279,960	116,058,355
Operating expenses		(116,363,540)	(88,319,002)	(113,108,984)
Net operating income (loss)		34,275,463	(26,039,042)	2,949,371
Net nonoperating revenue (expense)		19,262,368	5,535,125	(24,972,950)
Net gain (loss) on capital asset transfers		—	(3,005,430)	265,743
Gain from asset funding transfer		—	—	478,153
Other		—	312,070	—
Change in net position		53,537,831	(23,197,277)	(21,279,683)
Net position, beginning of year		(56,154,269)	(32,956,992)	(11,677,309)
Net position, end of year	$	(2,616,438)	(56,154,269)	(32,956,992)

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Revenue from All Sources

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

	2022	2021	2020
Operating revenue:			
Residence halls and single-student apartment rent	$ 101,333,746	42,405,059	67,975,530
Residence halls and retail food services	36,044,727	11,274,418	33,131,839
Conferences and guest rent	3,435,710	1,277,526	5,682,865
Leases	3,414,423	2,583,782	3,232,888
Family housing rent	2,478,430	2,441,782	2,345,709
Forfeitures and miscellaneous fees	1,030,719	949,276	1,112,319
Educational sponsorship	949,000	626,560	949,000
Vending machines	858,586	165,574	572,552
Laundry	761,328	298,640	537,054
Parking revenue	35,529	26,430	50,821
Other operating revenue	296,805	230,913	467,778
Total operating revenue	150,639,003	62,279,960	116,058,355
Nonoperating revenue:			
Grants	40,000,000	34,600,000	—
Energy rebates and refunds	13,579	—	—
Insurance proceeds	5,000,000	1,852,190	4,118,903
Net gain on capital asset disposals	—	—	2,562
Net gain on capital asset transfers	—	—	265,743
Gain on capital asset funding transfers	—	—	478,153
Other nonoperating revenue	—	312,070	—
Total nonoperating revenue	45,013,579	36,764,260	4,865,361
Total revenue – all sources	$ 195,652,582	99,044,220	120,923,716

HFS's largest revenue source is residence hall and single-student apartment rent and food services, which comprised 70.2% of revenue from all sources in 2022, compared to 54.2% in 2021. During 2022, residence hall and single-student rent increased by 139.0%, or $58.9 million; food services increased by 219.7%, or $24.8 million; and conference services increased by 168.9%, or $2.2 million, over the prior year. These increases reflect the return to normal business operations and increased residential capacity on campus as compared to 2021. During 2021, residence hall and single-student rent decreased by 37.6%, or $25.6 million; food services decreased by 66.0%, or $21.9 million; and conference services decreased by 77.5%, or $4.4 million, over the prior year. The decreases were primarily due to the impact on operations resulting from the coronavirus pandemic, which significantly impacted demand throughout fiscal year 2021, compared to it impacting only 3 months in 2020.

Nonoperating revenue increased by $8.2 million in 2022 and $31.9 million in 2021 compared to 2020, primarily due to HEERF grants of $40.0 million and $34.6 million received in 2022 and 2021, respectively (see further discussion in note 2). Insurance claim proceeds increased by 170% or $3.1 million over 2021 due to the Oak Hall flood. Insurance claim proceeds for 2021 decreased from prior year due to the completion of Stevens Court exterior renovations (see further discussion in note 1). HFS received no investment income distribution in fiscal year 2022, 2021, or 2020.

Expenses and Expense Transfers

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

	2022	2021	2020
Operating expenses:			
Salaries and related benefits	$ 29,088,998	20,150,010	33,238,978
Depreciation	32,530,293	32,862,503	30,935,183
Cost of food and merchandise	14,995,770	4,875,526	12,753,186
Noncapitalized equipment	9,477,674	9,571,164	8,177,499
Utilities	9,663,020	6,931,392	8,436,671
Indirect expenses	7,203,316	6,750,735	7,428,931
Contract services	6,441,811	3,001,673	5,638,379
Supplies	2,944,850	1,206,881	2,207,231
Repairs and maintenance	3,415,970	2,371,868	2,902,436
Institutional overhead	708,548	42,883	1,039,545
Total operating expenses	116,470,250	87,764,635	112,758,039
Nonoperating expenses:			
Interest expense on capital asset-related debt	25,737,585	27,669,408	29,091,915
Other operating expense	(106,710)	554,367	350,945
Financing cost	—	—	2,500
Net loss on capital agreement	—	3,241,140	—
Net loss on capital asset disposals	13,626	6,517	—
Net loss on capital asset transfers	—	3,005,430	—
Total nonoperating expenses	25,644,501	34,476,862	29,445,360
Total expenses and expense transfers	$ 142,114,751	122,241,497	142,203,399

Salaries and benefits expense increased by 44.4%, or $8.9 million, in 2022 and decreased by 39.4%, or $13.1 million, in 2021, respectively. Increases in 2022 reflect the return to prepandemic operations and levels of demand whereas the decreases in 2021 were primarily due to staffing reductions related to the impact on operations resulting from the coronavirus pandemic.

Depreciation expense in 2022 decreased by 1.0%, or $0.3 million, and had increased in 2021 by 6.2%, or $1.9 million.

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Noncapitalized equipment decreased by 1.0%, or $93,490, in 2022 and had increased by 17.0%, or $1.4 million, in 2021, primarily related to Phase 4b of the Housing Master Plan.

Nonoperating expenses decreased by 25.6%, or $8.8 million, in 2022, due to reductions in interest rates on ILP debt and increased operating loss reimbursements from campus café partners. For 2022, partner loss reimbursements totaled $706,722 as compared to $296,289 in 2021 and contribute to the negative expense reported in other operating expenses. These expenses increased 17.1%, or $5.0 million, in 2021 due to a net loss recognized on termination of the parking stall space exchange agreement with the University Transportation Services as well as a net loss recognized on the renovation of Denny Field, the ownership of which was transferred to UW Recreation upon project completion. These losses were partially offset by a decrease in the interest expense on capital asset-related debt.

Economic Factors and Significant Events

Systemwide Considerations

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

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

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

The University resumed in-person instruction for the 2021—2022 school year, except in the month of January 2022, due to increased COVID-19 case counts. On-campus housing occupancy returned to prepandemic levels and significant excess demand resulted in the reopening of Haggett Hall, an addition of approximately 800 beds and 9-month housing averaging 97% occupancy throughout the year. Most UW dining locations resumed prepandemic service levels, although there were a handful of continued unit closures as operations ramped up throughout the year. Staffing difficulties in both recruitment and retention were significant across HFS units and particularly for UW Dining operations. Campus foot traffic remained below prepandemic levels, which affected retail dining sales more so than in residential dining units.

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

HFS is pursuing 'request for proposals' (RFPs) and 'request for qualifications' (RFQs) for long-term land leases of campus-adjacent housing properties Commodore Duchess, Radford Court, Nordheim Court, Laurel Village, and Blakely Village with national student housing developers. Additionally, HFS is pursuing the required demolition of Haggett Hall as well as potential redevelopment. Demolition is likely to take place in 2024—2025.

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

Housing Operation

Overall housing revenue increased $62.6 million in 2022, as compared to a decrease of $31.2 million in 2021. This increase is indicative of the return to "normal" or prepandemic occupancy levels for HFS housing operations. The decrease in 2021 was directly related to the changes in delivery of instruction and reduced operations due to COVID-19. On July 7, 2020, HFS received a grant award of $14.6 million from the Higher Education Emergency Relief Fund I (HEERF I) authorized by the CARES Act (note 2), which helped cover costs that would have been funded by the lost housing revenue. A second grant award totaling $20.0 million was received in June 2021 from the Higher Education Economic Relief Fund II (HEERF II), authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), which helped replace lost revenue due to the pandemic. A third and final grant award of $40.0 million was received in December 2021. Of this amount, $1.6 million was awarded from HEERF II and $38.4 million was awarded from the American Rescue Plan Act (ARP), known as HEERF III. Both awards replace lost revenue due to the pandemic.

Autumn quarter 2022 will open with occupancy at approximately 9,506 students in 9- and 12-month housing areas. This figure is short of the 2021 count of 10,150 due to the closure of Haggett Hall, which was reopened in 2021 to meet excess demand for on-campus housing. Throughout the system, 1% of beds will be reserved for isolation and quarantine housing for HFS residents. Privately managed off-campus facilities coordinated through UW Real Estate are forecasting opening occupancy between 95%—100% of building capacity.

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

A significant flood was discovered in newly constructed and unoccupied Oak Hall in late June 2021. The remediation of related flood damage pushed reconstruction efforts into Autumn quarter 2021 and delayed the opening of the ground floor District Market to March 2022. A small portion of beds were unavailable in Autumn quarter and had been moved to other facilities as overflow spaces (triples). These closed beds were back online in January 2022 but went mostly unfilled—either by choice of the students to stay in their current assignments or they were held as additional isolation and quarantine spaces. HFS received $5.0 million in insurance proceeds for the damages.

Summer housing and conference operations have improved significantly from prior year with fiscal year 2022 revenue growth of 168.9%, or $2.2 million, over 2021.

Updates to the Housing Master Plan

HFS developed a Housing Master Plan to develop residence halls and single-student apartments in four phases. The development of these residence halls creates a richer on-campus community, alleviating the current excess demand within student housing and providing additional bed capacity (surge space) to support replacement of existing residence halls. This additional capacity allows HFS to replace existing facilities while continuing to meet current housing demand. 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.

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

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

Phase 4b was approved by the Board of Regents in February 2019 and consisted of one facility, Oak Hall, and the renovation of Denny Field. The budget for this phase was $65.5 million and was funded from HFS cash reserves and additional borrowing. Due to the pandemic, Oak Hall opened to students in autumn 2021, increasing system net beds by 379, despite being completed in 2020.

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 1.45 and 0.30 as of June 30, 2022 and 2021, respectively. In June 2020, the Board of Regents approved a one-year suspension of the ILP covenants (debt service coverage and required reserves) due to financial hardship resulting from COVID-19. In June 2021, the Board of Regents extended this suspension through the 2021—2022 fiscal year. Through the HEERF-related grant proceeds, HFS has returned to good financial standing by the end of 2022, exceeding both the required reserve balance and debt service coverage covenants set forth by UW Treasury and the ILP agreements.

Residence Hall Dining Operation

In 2022, inflationary pressures have increased operating costs significantly throughout the Residential Dining units, particularly in the categories of food and supplies. Staffing issues from 2021 continue to be a strain on operations; however, staff retention and recruitment have improved from 2021. UW Dining plans to operate all food units this fiscal year.

Residential Dining units resumed operation in Autumn 2021 to support student residents and on-campus populations. Due to staffing constraints, Cultivate, a fast casual concept, remained closed. Staffing shortages strained service levels and supply chain issues further exacerbated a challenging reopening.

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

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

UW Dining contracted with their current point-of-sale vendor to bring mobile ordering to campus, introducing the service to students in winter 2021. The service was rolled out to additional dining venues across campus in the in 2021—22. Bay Laurel Catering continues to provide the Get-Well meal program—a door-to-door food delivery program for students residing in isolation housing.

Retail Dining Operation

UW Dining had reopened many of their retail dining venues across campus during the 2021—2022 school year, despite significant staffing challenges. Four licensed Starbucks locations are now open on the Seattle campus, and per the Starbucks sponsorship agreement, the University is obligated to open a fifth location by 2023. At this point in time, HFS has not been identified as the operator of the fifth venue.

HFS is pursuing a licensing agreement with Shake Smart, a health-conscious fast-service food brand, to operate out of the Dawg Bites location in the Intermural Activities building. It is anticipated that this unit will open in winter 2023.

Three retail dining venues closed in fiscal year 2021: Reboot Café (due to remodel), Supreme Cup Café (due to negative impact of Starbucks Mobile Truck), and Etc. @ Health Sciences (due to poor performance). In fiscal year 2022, Rotunda and By George delayed opening until January 2022. Etc. @ Health Sciences, Tower Café, Dawg Bites, and the mobile dining units (Sunrise Griddle, Motosurf, and Hot Dawgs) remained closed. Café 815 reopened but closed by February 2022 under mutual consent with our partnering department. Similarly, the Starbucks Truck closed (temporarily) by April 2022 due to staffing shortages; this unit will reopen in Autumn 2022.

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

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During 2020—21, as a result of changes in campus population levels and instruction delivery methods related to the coronavirus pandemic, many retail dining venues suspended operations and, where possible, staff were transferred to open positions at other University departments. Cafés with loss protection terms in their operating agreements with other University departments provided some relief of losses. These agreements were renegotiated for 2021 and again in 2022 with many departments opting to suspend their retail operations and cease financial coverage of losses. Campus populations and demand for retail food services did not recover to prepandemic levels, although they did improve over prior year. Overall, retail dining sales increased $8.2 million and decreased $12.0 million in 2022 and 2021, respectively.

HFS received Starbucks and Coca-Cola educational sponsorship funds totaling $1.0 million and $0.6 million in 2022 and 2021, respectively. The 2021 decrease is the result of sponsorship agreement terms and the ongoing sales disruptions from the coronavirus pandemic.

UW Sponsorship and UW Dining are currently working toward future sponsorship agreements for coffee and beverages on campus.

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

Statements of Net Position

June 30, 2022 and 2021

Assets and Deferred Outflow of Resources	**2022**	**2021**
Current assets:		
Cash and cash equivalents in the University Invested Funds Pool	$ 101,024,276	40,439,928
Accounts receivable, net	5,080,893	1,300,137
Prepaid expense	542,869	568,286
Inventory	688,253	330,917
Due from other University departments	3,467,555	2,395,572
Total current assets	110,803,846	45,034,840
Noncurrent assets:		
Capital assets, less accumulated depreciation (note 3)	581,048,796	612,189,707
Other assets (note 8)	11,697,335	1,440,090
Total noncurrent assets	592,746,131	613,629,797
Deferred outflows of resources (note 7)	4,399,515	2,972,262
Total assets and deferred outflows of resources	$ 707,949,492	661,636,899
Liabilities, Deferred Inflow of Resources, and Net Position		
Current liabilities:		
Accounts payable	$ 1,830,106	525,614
Accrued interest	2,115,277	2,327,403
Other accrued expenses	2,911,967	2,254,126
Unearned revenue	11,937,040	4,813,305
Deposits	4,865,361	4,799,211
Due to other University departments	1,030,065	749,022
Long-term capital debt, current portion (notes 4 and 5)	21,004,802	22,445,127
Lease payable, current portion (notes 4 and 6)	—	460,000
Total current liabilities	45,694,618	38,373,808
Noncurrent liabilities:		
Long-term capital debt, less current portion (notes 4 and 5)	622,241,320	643,811,517
Pension liability (note 8)	1,980,737	5,812,424
Total other postemployment benefits (OPEB) liability (note 9)	17,443,326	20,289,552
Total noncurrent liabilities	641,665,383	669,913,493
Total liabilities	687,360,001	708,287,301
Deferred inflows of resources (note 7)	23,205,929	9,503,867
Net position:		
Net investment in capital assets	(46,447,083)	(39,522,849)
Unrestricted	43,830,645	(16,631,420)
Total net position	(2,616,438)	(56,154,269)
Total liabilities, deferred inflows of resources, and net position	$ 707,949,492	661,636,899

See accompanying notes to financial statements.

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

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

		2022	2021
Operating revenue:			
Residence halls and single-student apartment rent	$	101,333,746	42,405,059
Residence halls and retail food services		36,044,727	11,274,418
Conferences and guest rent		3,435,710	1,277,526
Leases		3,414,423	2,583,782
Family housing rent		2,478,430	2,441,782
Forfeitures and miscellaneous fees		1,030,719	949,276
Educational sponsorship		949,000	626,560
Vending machines		858,586	165,574
Laundry		761,328	298,640
Parking revenue		35,529	26,430
Other		296,805	230,913
Total operating revenue		150,639,003	62,279,960
Operating expenses:			
Salaries and related benefits		29,088,998	20,150,010
Depreciation		32,530,293	32,862,503
Cost of food and merchandise		14,995,770	4,875,526
Noncapitalized equipment		9,477,674	9,571,164
Utilities		9,663,020	6,931,392
Indirect expenses		7,203,316	6,750,735
Contract services		6,441,811	3,001,673
Supplies		2,944,850	1,206,881
Repairs and maintenance		3,415,970	2,371,868
Institutional overhead		708,548	42,883
Other		(106,710)	554,367
Total operating expenses		116,363,540	88,319,002
Net operating income (loss)		34,275,463	(26,039,042)
Nonoperating revenue (expenses):			
Grants (note 2)		40,000,000	34,600,000
Energy rebates		13,579	—
Loss on capital agreement		—	(3,241,140)
Insurance claim proceeds		5,000,000	1,852,190
Interest expense on capital asset-related debt		(25,737,585)	(27,669,408)
Loss on capital asset disposals		(13,626)	(6,517)
Total nonoperating revenue		19,262,368	5,535,125
Net loss on capital asset transfers		—	(3,005,430)
Other		—	312,070
Change in net position		53,537,831	(23,197,277)
Net position, beginning of year		(56,154,269)	(32,956,992)
Net position, end of year	$	(2,616,438)	(56,154,269)

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2022 and 2021

		2022	2021
Cash flows from operating activities:			
Cash received from student housing fees	$	98,915,383	42,374,954
Cash received from residence hall food services		37,286,646	12,299,985
Cash received from conference services		7,129,475	2,749,423
Cash received from leases		2,539,102	3,232,888
Cash received from facility rentals		1,912,075	1,267,507
Cash received from vending commissions		884,448	189,839
Cash received from educational sponsorship		949,000	626,560
Cash received from others		289,811	226,439
Cash received (paid) for interfund and debit card activities		790,063	69,670
Cash paid to suppliers		(45,982,837)	(28,125,199)
Cash paid for employee salaries, wages, and benefits		(29,340,843)	(19,733,853)
Cash paid for indirect expenses		(7,402,873)	(6,937,996)
Net cash provided by operating activities		67,969,450	8,240,217
Cash flows from noncapital financing activities:			
Grants received		40,000,000	34,600,000
Net cash flows provided by noncapital financing activities		40,000,000	34,600,000
Cash flows from capital and related financing activities:			
Purchases of capital assets		(2,951,861)	(5,012,381)
Interest paid on capital debt		(26,020,107)	(28,379,167)
Principal payments on capital debt		(23,435,768)	(21,730,718)
Financing cost paid on capital debt		—	(2,500)
Capital asset funding transfers		—	29,354
Proceeds from insurance on capital assets		5,000,000	1,852,190
Other		22,634	312,070
Net cash used in capital and related financing activities		(47,385,102)	(52,931,152)
Net increase (decrease) in cash and cash equivalents		60,584,348	(10,090,935)
Cash and cash equivalents, beginning of year		40,439,928	50,530,863
Cash and cash equivalents, end of year	$	101,024,276	40,439,928
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Net operating income (loss)	$	34,275,463	(26,039,042)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		32,530,293	32,862,503
Changes in operating assets and liabilities:			
Accounts receivable		(3,794,335)	(184,403)
Prepaid expense and other assets		25,417	(5,186)
Inventory		(357,336)	173,107
Due to/from other University departments		798,079	1,471,767
Accounts payable		1,304,492	287,805
Unearned revenue		7,123,735	1,369,648
Accrued expenses		657,841	78,291
Deposits		66,150	(47,459)
Retirement plan deferred resources and liabilities		(4,660,349)	(1,726,814)
Net cash provided by operating activities	$	67,969,450	8,240,217
Supplemental disclosures of cash flow information:			
Capitalized interest	$	—	586,802
Amortization of deferred premium on refunded bonds		66,480	66,480
Net loss on capital asset transfers		—	(3,005,430)

See accompanying notes to financial statements.

(1) Organization and Significant Accounting Policies

(a) Organization

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

(b) Basis of Accounting

The financial statements have been prepared in accordance with generally accepted accounting principles. The statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. All internal activities have been eliminated. The financial statements 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, 2022 or 2021,, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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

Pooled Investments held on behalf of HFS by the University are recorded at HFS's share of the carrying value of the University Cash and Liquidity Pools, which totaled $101,024,276 and $40,439,928 as of June 30, 2022 and 2021, respectively. These funds are available on demand without prior notice or penalty. The Cash and Liquidity Pools were invested as follows as of June 30:

	2022	2021
Cash and cash equivalents	4.5 %	4.9 %
U.S. Treasury and agency securities	65.7	68.6
Mortgage-related securities	5.2	6.2
Asset-backed debt securities	18.5	14.5
Other fixed income	6.1	5.8
	100.0 %	100.0 %

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

(d) Accounts Receivable

HFS has established an allowance for doubtful accounts related to receivables, which are estimated to be uncollectible. The allowance is based on historical experience of HFS and current economic circumstances with respect to the 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 $778,644 and $439,635 as of June 30, 2022 and 2021, respectively.

(e) Inventory

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

(f) Prepaid Expense

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

(g) Due from Other University Departments

Due from other University departments, current, consists primarily of accrued lease revenue (note 6) of $3,414,423 and $2,583,782 as of June 30, 2022 and 2021, respectively.

(h) Capital Assets

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

Capitalized construction-related interest was $0 and $586,802 during the years ended June 30, 2022 and 2021, respectively. Prior to 2022, interest expense was capitalized during project construction or upon issuance of debt to finance the construction of a capital asset.

(i) Unearned Revenue

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

(j) Deposits

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

(Continued)

(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, 2022 and 2021 is due to the inclusion of existing debt on the old Mercer, Lander, Terry, and McCarty Halls, all of which were demolished, while additional debt was incurred for the demolition and redevelopment.

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

(l) Operating and Nonoperating Revenue and Expenses

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

Nonoperating revenue is recognized for receipts of grant awards, insurance claim proceeds, gain on capital asset disposals, and other revenue sources that are not associated with HFS’s primary operations. Nonoperating expenses reflect interest expense and losses on asset disposals.

(m) Institutional Overhead

The University allocates certain general and administrative charges to those departments for which services are performed. This institutional overhead charge, which is based on a percentage of division revenue, totaled $708,548 and $42,883 for the years ended June 30, 2022 and 2021, respectively.

(n) Indirect Expenses

Administrative expenses, such as overhead salaries and benefits, contract services, and supplies, are reported as indirect expense. These administrative costs totaled $7,203,316 and $6,750,735 for the years ended June 30, 2022 and 2021, respectively.

(o) Insurance Claim Proceeds

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

HFS received insurance payments totaling $5,000,000 and $1,852,190 during fiscal year 2022 and 2021. Funds received in 2022 were for the Oak Hall flood, which affected one full wing of the building which included a food service unit on the ground floor. Extensive repair work was required, delaying the opening of that portion of the building to residents until January 2022 and postponing the opening of the food service unit until April 2022.

The funds received in 2021 were for the loss incurred at the Stevens Court complex. The Stevens Court loss was caused by faulty installation of the exterior siding, which allowed water to infiltrate the stucco siding over multiple years. The damage was identified during routine renovations. The insurance proceeds offset the cost of replacing the siding at all four affected buildings in the Stevens Court complex. Repairs on four buildings were completed by October 2020.

(p) Gains and Losses on Capital Asset Transfers

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

(q) Gain on Asset Funding Transfers

In 2022 and 2021, HFS received no asset funding transfers from other University departments.

(r) Income Taxes

As a part of the University, the operations of HFS are exempt from federal income taxes, except to the extent of unrelated business income. HFS did not incur unrelated business income tax during 2022 or 2021, and accordingly, the financial statements do not include a provision for federal income taxes.

(s) Use of Estimates

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

(t) Other Pension and Post-Employment Policies

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

Single Employer Pension Plan (UW Supplemental Retirement Plan). The total pension liability is measured at HFS's proportionate share of the total liability, which is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used for the total pension liability as of June 30, 2022 and 2021, 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, 2022 and 2021, represents the HFS's proportionate share of the total pension liability less the plan's fiduciary net position. The UWSRP liability as of June 30, 2020, represents the HFS's proportionate share of the total pension liability. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years. The measurement date for the UWSRP liability is the same as the Statements of Net Position date.

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

(2) COVID-19 Pandemic

As a department funded by revenue from student fees, HFS was disproportionately impacted by the shift to remote learning during the COVID-19 pandemic. On July 7, 2020, the University completed a funding agreement to accept the Institutional Portion of the Higher Education Emergency Relief Fund I (HEERF I) grant authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law in March 2020. Of these funds, $14.6 million was allotted to HFS and was recognized in fiscal year 2021. HFS used these funds to service debt that would otherwise be funded with revenue generated from student housing fees. In June 2021, HFS received a second grant award of $20.0 million from the Higher Education Emergency Relief Fund II (HEERF II) authorized by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) signed into law in December 2020. These funds were recognized in fiscal year 2021 and were used to offset lost revenue from student housing fees and food services. HFS received a third grant of $40.0 million in December 2021 for the purpose of offsetting remaining revenue losses incurred during the pandemic which were recognized in fiscal year 2022.

(3) Capital Assets

Capital asset activity for the years ended June 30, 2022 and 2021 is summarized as follows:

	Balance at June 30, 2021	Additions/ Transfers	Retirements/ Transfers	Balance at June 30, 2022
Capital assets, not being depreciated:				
Land	$ 6,775,215	—	—	6,775,215
Construction in progress	18,818	1,271,969	—	1,290,787
Total capital assets not being depreciated	6,794,033	1,271,969	—	8,066,002
Capital assets, being depreciated:				
Building and building improvements	859,454,972	—	—	859,454,972
Equipment	5,211,219	131,038	(54,277)	5,287,980
Total capital assets being depreciated	864,666,191	131,038	(54,277)	864,742,952
Less accumulated depreciation:				
Building and building improvements	255,105,388	32,148,599	—	287,253,987
Equipment	4,165,129	381,694	(40,652)	4,506,171
Total accumulated depreciation	259,270,517	32,530,293	(40,652)	291,760,158
Capital assets, net	$ 612,189,707	(31,127,286)	(13,625)	581,048,796

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

No major construction activity took place in 2022.

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

(4) Noncurrent Liabilities

Noncurrent liability activity for the years ended June 30, 2022 and 2021 is summarized as follows:

	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022
Noncurrent liabilities:				
ILP payable	$ 648,725,251	—	(21,191,324)	627,533,927
Notes payable	17,531,393	—	(1,819,198)	15,712,195
Pension liability	5,812,424	—	(3,831,687)	1,980,737
OPEB liability	20,289,552	—	(2,846,226)	17,443,326
Lease payable	460,000	—	(460,000)	—
Total noncurrent liabilities	692,818,620	—	(30,148,435)	662,670,185
Current portion	(22,905,127)			(21,004,802)
Noncurrent portion	$ 669,913,493			641,665,383

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

(5) Long-Term Capital Debt

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

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

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

On April 22, 2008, the University issued General Revenue & Refunding Bonds (GRB) (2008 Bonds) to refund certain outstanding bonds of the University. A portion of the proceeds from the sale of the 2008 Bonds was used for the purpose of refunding HFS's 1996 Junior Lien Revenue Bonds with a premium. Related to this, HFS has completed repayment of these bonds and is no longer obligated to the ILP as of June 30, 2022. HFS was obligated to the ILP in the amount of $2,493,333 as of June 30, 2021. The average interest rate was 3.75%. The premium was paid in full as of June 30, 2022 and had a balance of $52,820 as of June 30, 2021.

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 reduced from 4.25% to 4.00% as of June 30, 2021. Related to this, HFS is obligated to the ILP in the amount of $3,886,107 and $4,144,410 as of June 30, 2022 and 2021, respectively.

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 $5,343,949 and $5,796,869 as of June 30, 2022 and 2021, respectively. The final payment is due in fiscal year 2032. The interest rate was reduced from 4.25% to 4.00% as of June 30, 2022. The premium was paid in full as of June 30, 2022 and had a balance of $13,639 as of June 30, 2021.

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 $4,541,368 and $5,393,656 as of June 30, 2022 and 2021, respectively. 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, 2022 and 2021, for the GRB 2012A. The interest rate was 4.06% for GRB 2012B as of June 30, 2022 and 2021.

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 $598,073,200 and $613,903,944 as of June 30, 2022 and 2021, respectively. The final payments are due between the fiscal years 2042 and 2049. The interest rate was reduced from 4.25% to 4.00% as of June 30, 2022.

In July 2016, due to the transfer of the Nordheim Court Apartments from UW Real Estate (note 6), HFS is obligated to the ILP in the amount of $15,689,303 and $16,926,578 as of June 30, 2022 and 2021, respectively. The final payment is due in fiscal year 2032. The interest rate was reduced from 4.25% to 4.00% as of June 30, 2022.

In June 2020, HFS was authorized to directly borrow $19,000,000 under the Financing Assets in the Short Term (FAST) loan program to allow for the completion of the Oak Hall construction project, while preserving cash reserves. Proceeds of $12,000,000 and $7,000,000 were received in June 2020 under FAST1 and FAST2 notes payable, respectively. The notes are secured by the general revenue of the University. Repayments began in September 2020, and the final payments are due in fiscal year 2031. Related to FAST1 note, HFS is obligated to the FAST program in the amount of $9,898,963 and $11,058,526 as of June 30, 2022 and 2021, respectively. The interest rate was 1.19% as of June 30, 2022 and 2021. Related to FAST2 note, HFS is obligated to the FAST program in the amount of $5,813,232 and $6,472,867 as of June 30, 2022 and 2021, respectively. The interest rate was 1.88% as of June 30, 2022 and 2021.

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

Debt service requirements at June 30, 2022 were as follows:

	ILP Payable			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2023	$ 19,159,154	24,794,075	43,953,229	1,845,648	215,467	2,061,115
2024	19,944,352	24,010,438	43,954,790	1,872,503	188,612	2,061,115
2025	20,760,752	23,194,569	43,955,321	1,899,769	161,346	2,061,115
2026–2030	116,021,376	102,530,887	218,552,263	9,922,723	382,853	10,305,576
2031–2035	129,472,683	77,684,059	207,156,742	171,552	208	171,760
2036–2040	150,562,171	50,130,409	200,692,580	—	—	—
2041–2045	132,276,399	19,305,132	151,581,531	—	—	—
2046–2049	39,337,040	2,609,365	41,946,405	—	—	—
	$ 627,533,927	324,258,934	951,792,861	15,712,195	948,486	16,660,681

(6) Leases

Lease Payments

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

The total principal obligation under this agreement was $0 and $460,000 as of June 30, 2022 and 2021, respectively, and was repaid in one annual installment of $484,150 (including imputed interest of approximately 5%) in 2022.

Lease Revenue

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

The Commodore Duchess and Radford Court properties (the Apartments) are owned by the University and are managed by UW Real Estate in conjunction with an outside property manager. The University refunded the CDP bonds with loan proceeds from the ILP. In accordance with the ILP financing agreement, HFS will be obligated to pay debt service on this loan only in the event that funds from the Apartments are insufficient to cover debt service payments on the loan. The Apartments have been self-sustaining in the current and prior years. The outstanding debt under this agreement was $25,403,347 and $27,633,312 as of June 30, 2022 and 2021, respectively.

The University receives an annual payment from the Apartments, which it designates to HFS. Revenue from these properties was $3,414,423 and $2,583,782 for the years ended June 30, 2022 and 2021, respectively.

(7) Deferred Outflows and Deferred Inflows of Resources

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

		2022	2021
Public Employees' Retirement System pension plans (note 8)	$	1,326,710	1,951,661
University of Washington Supplemental Retirement Plan (note 8)		1,374,956	981,827
Other postemployment benefits (OPEB) (note 9)		1,697,849	38,774
Total deferred outflows of resources	$	4,399,515	2,972,262

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

		2022	2021
Public Employees' Retirement System pension plans (note 8)	$	10,389,120	1,452,239
University of Washington Supplemental Retirement Plan (note 8)		2,580,164	2,944,056
Other postemployment benefits (OPEB) (note 9)		10,236,645	5,107,572
Total deferred inflows of resources	$	23,205,929	9,503,867

(8) Pension Plans

The University offers several contributory pension plans administered by the Washington State Department of Retirement Systems (DRS). HFS has employees in the Public Employees' Retirement System plan, which is a defined-benefit retirement plan. The University of Washington Retirement Plan (UWRP), a defined-contribution plan, is administered by the University. The University of Washington Supplemental Retirement Plan (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/wp-content/uploads/2021/06/2021-ACFR.pdf.

(d) Actuarial Assumptions

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

The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (OSA). HFS's 2022 proportionate share of the pension liability is based on an OSA valuation performed as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021. Likewise, HFS's 2021 proportionate share of the pension liability is based on an OSA valuation performed as of June 30, 2019, with the results rolled forward to the measurement date of June 30, 2020. The following actuarial assumptions have been applied to all prior periods included in the measurement:

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

Mortality rates as of June 30, 2020 and 2019 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, 2020 and 2019 valuation were based on the results of the 2013-2018 Experience Study Report and the 2019 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 return of 7.40% as of measurement dates June 30, 2021 and 2020, approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or dampen any short-term changes that are not expected over the entire 50-year measurement period.

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

	2022 (measurement date 2021)		2021 (measurement date 2020)	
	Target allocation	Long-term expected arithmetic real rate of return	Target allocation	Long-term expected arithmetic real rate of return
Asset class:				
Fixed income	20.00 %	2.20 %	20.00 %	2.20 %
Tangible assets	7.00	5.10	7.00	5.10
Real estate	18.00	5.80	18.00	5.80
Global equity	32.00	6.30	32.00	6.30
Private equity	23.00	9.30	23.00	9.30

The inflation component used to create the above table was 2.20% for and the June 30, 2020 and 2019 actuarial valuations represents WSIB's most recent long-term estimate of broad economic inflation.

(e) Discount Rate

The discount rate used to measure the total pension liabilities and the change in the discount rate since the prior measurement date, if any, as of June 30, 2022 and 2021 was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1). Based on those assumptions, the fiduciary net position for each pension plan in which the HFS participates was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.40% future investment rate of return on pension plan investments was assumed as of June 30, 2022 and 2021. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1, as provided for in Chapter 41.45 of the RCW).

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

The following tables present HFS's proportionate net pension liabilities and assets calculated using the discount rates of 7.40% as of June 30, 2022 and 2021, 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:

		1% Decrease	Current discount rate	1% Increase
			(Dollars in thousands)	
Plan as of June 30, 2022:				
PERS 1	$	1,670	980	379
PERS 2/3		(2,883)	(10,121)	(16,081)

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

(g) Employer Contribution Rates

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA, and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The following table presents the contribution rates, stated as a percentage of covered payroll as defined by the statute, and required contributions for each DRS plan in which HFS participates for the years ended June 30, 2022 and 2021:

		PERS	
Description		PERS 1	Plan 2/3[a]
		(Dollars in thousands)	
Contributions as of June 30, 2022:			
Contribution rate		12.97 %	12.97 %
Contributions made	$	543	928
Contributions as of June 30, 2021:			
Contribution rate		12.86 %	12.86 %
Contributions made	$	598	962

(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, 2022 was June 30, 2021. Employer contributions received and processed by DRS during the fiscal year ended June 30, 2021 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, 2021 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension plan liabilities recorded by HFS as of June 30, 2021 was June 30, 2020, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2020 used as the basis for determining each employer's proportionate share of the collective pension amounts. HFS's proportionate share for each DRS plan is shown in the table below:

	Proportionate share	
	PERS 1	**PERS 2/3**
Year ended June 30, 2022	0.08 %	0.10 %
Year ended June 30, 2021	0.10 %	0.13 %

(i) HFS Aggregated Balances

HFS's aggregated balances of net pension liability and asset as of June 30, 2022 and 2021 are presented in the table below:

Plan		**PERS 1**	**PERS 2/3**	**Total**
		(Dollars in thousands)		
June 30, 2022:				
Net pension liability	$	980	—	980
Net pension asset		—	(10,121)	(10,121)
June 30, 2021:				
Net pension liability	$	3,618	1,667	5,285

(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, 2022	$	(973)	(2,842)	(3,815)
As of June 30, 2021	$	(15)	126	111

		Deferred outflows of resources		
Description		**PERS 1**	**PERS 2/3**	**Total**
			(Dollars in thousands)	
June 30, 2022:				
Change in assumptions	$	—	15	15
Difference between expected and actual experience		—	492	492
Changes in HFS' proportionate share		—	(651)	(651)
HFS's contributions subsequent to the measurement date of the collective net pension liability[a]		543	928	1,471
Total	$	543	784	1,327

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

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Notes to Financial Statements

June 30, 2022 and 2021

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

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

Description		Deferred inflows of resources PERS 1	PERS 2/3	Total
		(Dollars in thousands)		
June 30, 2022:				
Difference between projected and actual earnings on plan investments, net	$	1,088	8,458	9,546
Change in assumptions		—	719	719
Difference between expected and actual experience		—	124	124
Total	$	1,088	9,301	10,389
June 30, 2021:				
Difference between projected and actual earnings on plan investments, net	$	20	85	105
Change in assumptions		—	1,138	1,138
Difference between expected and actual experience		—	209	209
Total	$	20	1,432	1,452

Amounts reported as deferred outflows of resources, as of June 30, 2022, 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]		
Year		**PERS 1**	**PERS 2/3**	**Total**
			(Dollars in thousands)	
2023	$	(288)	(2,482)	(2,770)
2024		(264)	(2,322)	(2,586)
2025		(250)	(2,211)	(2,461)
2026		(286)	(2,378)	(2,664)
2027		—	(53)	(53)
Thereafter		—	1	1
Total	$	(1,088)	(9,445)	(10,533)

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

(k) University of Washington Retirement Plan

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

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

(i) 403(b) Funding Policy

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

(l) University of Washington Supplemental Retirement Plan

UWSRP, a single-employer 401(a) defined-benefit retirement plan administered by the University, operates in tandem with the 403(b) plan to supplement the expected defined-contribution retirement savings accumulated under the UWRP. For purposes of measuring the June 30, 2022 and 2021 net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the UWSRP and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported in the state of Washington's Annual Comprehensive Financial Report, which is available at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. As of June 30, 2022 and 2021, 21 active and 4 inactive HFS employees were receiving benefits, with 1 inactive employee entitled to, but not receiving, benefits.

(i) Vesting and Benefits Provided

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

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

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

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the fiscal years ended June 30, 2022 and 2021 were $47,088 and $40,654 respectively.

(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. The HFS's contribution rate for the fiscal year ended June 30, 2022 and 2021 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in the fiscal year ended June 30, 2022 and 2021 were $29,897. Prior to fiscal year 2021 employer contributions were not required.

(iii) Plan Investments

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

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

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

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. For the year ended June 30, 2022 and 2021, the annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense, was 0.12% and 34.90%, respectively. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

(iv) UWSRP Pension Liability

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).

The University had set aside assets to pay future UWSRP retiree benefits, of which $1,576,465 and $1,440,090 belongs to HFS as of June 30, 2022 and 2021, respectively. These assets are physically segregated in a separate investment account, and included in other assets on the Statements of Net Position. These assets are in addition to those amounts now residing with the WSIB, which are reflected as a reduction of the TPL beginning in fiscal year 2021.

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

The allocation method used to determine HFS's proportionate share of the University's Net Pension Liability (NPL) and TPL is based on its unit allocation of what is funded through the benefit load process. This proportionate share percentage for HFS was 0.45% and 0.42% as of June 30, 2022 and 2021, respectively.

HFS' proportionate share of the components of the UWSRP net pension liability were as follows:

		TPL	Plan Fiduciary Net Position	NPL[a]
			(Dollars in thousands)	
Schedule of changes in net pension liability:				
Balance as of July 1, 2021	$	962	377	585
Service cost		17	—	17
Interest on TPL		73	—	73
Difference between expected and actual experience		310	—	310
Change in assumptions		101	—	101
Employer contributions		—	30	(30)
Investment income		—	1	1
Benefit payments		(47)	—	(47)
Other Changes		(9)	—	(9)
Balance as of June 30, 2022	$	1,407	408	1,001

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

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

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

The June 30, 2022 and 2021 TPL is based on an actuarial valuation performed as of June 30, 2020 with update procedures performed by the OSA to roll forward the TPL to the measurement dates of June 30, 2022 and 2021, respectively. Both valuations were prepared using the entry age actuarial cost method.

HFS's share of UWSRP pension expense for the fiscal years ended June 30, 2022 and 2021 was $(138,286) and $(186,947) respectively.

(v) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on HFS. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on HFS's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2022 and 2021:

	June 30, 2022
	(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	(0.40)
Source of discount rate	2021 Report on Financial Condition and Economic Experience Study
Investment rate of return	7.00 %
NPL measurement at discount rate	$ 1,001
NPL discount rate increased 1%	860
NPL discount rate decreased 1%	1,165

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

Material assumption changes during the measurement period ending June 30, 2022 included updating the discount rate from 7.40% to 7.00%. Material assumption changes during the measurement period ending June 30, 2021 included updating the discount rate from 2.21% to 7.40%. Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income", were significantly lower than expected for the measurement period ending June 30, 2022, but were significantly higher than expected for the period ending June 30, 2021 (reflected as "Difference between expected and actual experience" in the Schedule of Changes in the UWSRP Liability).

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 and 2021, are summarized in the following table:

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

(vi) Deferred Outflows and Deferred Inflows of Resources

The tables below summarize the HFS's deferred outflows and deferred inflows of resources related to the UWSRP, together with the related future year impacts to pension expense from amortization of those deferred amounts as of June 30, 2022 and 2021:

	2022	2021
	(Dollars in thousands)	
Deferred outflows of resources:		
Difference between expected and actual experience	$ 584	364
Change in assumptions	563	538
Change in proportionate share	228	80
Total	$ 1,375	982
Deferred inflows of resources:		
Difference between expected and actual experience	$ 1,365	1,525
Change in assumptions	794	881
Net difference between projected and actual earnings on plan investments	23	58
Change in proportionate share	398	480
Total	$ 2,580	2,944

		2022
		(Dollars in thousands)
Amortization of deferred inflows and deferred outflows of resources:		
Year:		
2023	$	(280)
2024		(280)
2025		(194)
2026		(135)
2027		(351)
Thereafter		35
Total	$	(1,205)

(9) Other Post-Employment Benefits (OPEB)

(a) Plan Description

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

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

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

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

The explicit subsidy, permitted under RCW 41.05.085, is a set dollar amount which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The subsidy was $183 per member per month for fiscal year 2022 and 2021.

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

The table below shows HFS's PEBB membership data as of June 30, 2022 and 2021:

	2022 (Measurement date 2021)	2021 (Measurement date 2020)
Active employees	348	437
Inactive employees receiving benefits	97	120
Inactive employees entitled to, but not receiving, benefits	16	20

(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 total OPEB liability (TOL) as of June 30, 2022 and 2021:

	June 30, 2022 (Dollars in thousands)
Significant assumptions used to measure the total OPEB liability (TOL):	
Inflation	2.75 %
Healthcare cost trend	Initial rate ranges from 2% -11% reaching an ultimate rate of 4.3% in 2075.
Salary increase	3.50% plus Service-Based Salary Increases
Source of mortality assumptions	Society of Actuaries' Pub.H-2010 mortality rates, with application of the long-term MP-2017 generational improvement scale, and updated based on results of the 2013–2018 Demographic Experience Study Report and the 2019 Report on Financial Condition and Economic Experience Study.
Date of experience study	2013–2018 Experience Study Report
Discount rate	2.16 %
Source of discount rate	Bond Buyer General Obligation 20-Bond Municipal Bond Index as of 6/30/21 (Measurement Date)
Post-retirement participation percentage	65.00 %
TOL measurement at discount rate	$ 17,443
TOL discount rate increased 1%	14,574
TOL discount rate decreased 1%	21,134
TOL measurement at healthcare cost trend rate	17,443
TOL healthcare cost trend rate increased 1%	21,998
TOL healthcare cost trend rate decreased 1%	14,073

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

Material assumption changes during the measurement period ending June 30, 2021 include updating the discount rate, as required by GASB 75. Material assumption changes during the measurement period ending June 30, 2020 include updating the discount rate, the forecasts of healthcare cost trend rate, and the mortality assumptions, as required by GASB 75.

(c) Changes in the Total OPEB Liability

The TOL for the state of Washington as of June 30, 2022 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021. The TOL for the state of Washington as of June 30, 2021 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020. The measurement date for the TOL as of June 30, 2021 was the same as the valuation date. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as HFS. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine HFS's proportionate share of the University's TOL is the relationship of HFS's active, healthcare-eligible employee headcount to the corresponding University total. The HFS's proportionate share percentage was 0.94% in 2022 and 1.20% in 2021.

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

		June 30, 2022	June 30, 2021
		(Dollars in thousands)	
Schedule of changes in total OPEB liability:			
Beginning balance	$	20,290	20,437
Service cost		872	842
Interest		377	704
Difference between expected and actual experience		—	(108)
Change in assumptions		161	457
Benefit payments		(288)	(335)
Change in proportionate share		(3,969)	(990)
Other		—	(717)
Ending Balance	$	17,443	20,290

(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.

		2022	2021
		(Dollars in thousands)	
Proportionate share of OPEB expense	$	912	324
Deferred outflows of resources:			
Differences between expected and actual experience in the measurement of the total OPEB liability	$	298	445
HFS contributions subsequent to the measurement date of the collective total OPEB liability		289	357
Changes in assumptions		1,110	1,395
Changes in proportionate share		—	(2,158)
Total	$	1,697	39

		2022	**2021**
		(Dollars in thousands)	
Deferred inflows of resources:			
Differences between expected and actual experience in the measurement of the total OPEB liability	$	68	96
Changes in assumptions		3,162	4,785
Changes in proportionate share		7,007	227
Total	$	10,237	5,108

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

		2022
		(Dollars in thousands)
Amortization of deferred inflows and deferred outflows of resources[a]:		
Year:		
2023	$	(949)
2024		(949)
2025		(949)
2026		(949)
2027		(949)
Thereafter		(3,795)
Total	$	(8,540)

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

UNIVERSITY OF WASHINGTON
HOUSING AND FOOD SERVICES
(A Department of University of Washington)
Schedules of Required Supplementary Information (Unaudited)
June 30, 2022 and 2021

Schedule of HFS Proportionate Share of the Net Pension Liability
(As of measurement date, the prior fiscal year-end)
PERS 1
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016
Housing and Food Services' proportion of the net pension liability	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	$ 980	3,618	4,121	4,859	5,146	6,063	5,838
Housing and Food Services' covered payroll	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	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	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)

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

Unaudited – see accompanying independent auditors' report.

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

Schedules of Required Supplementary Information (Unaudited)

June 30, 2022 and 2021

Schedule of HFS Proportionate Share of the Net Pension Liability
(As of measurement date, the prior fiscal year-end)
PERS 2/3
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016
Housing and Food Services' proportion of the net pension liability	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	$ (10,121)	1,667	1,322	2,347	4,765	7,035	4,928
Housing and Food Services' covered payroll	12,152	15,192	14,789	14,256	13,444	13,051	12,239
Housing and Food Services' proportionate share of the net pension (asset) liability as a percentage of covered payroll	-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	102.29%	97.22%	9.77%	95.77%	90.97%	85.82%	89.20%

Schedule of Contributions
(As of current fiscal year-end)
PERS 2/3
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,497	1,573	1,953	1,893	1,801	1,503	1,448
Contributions in relation to the contractually required contribution	1,487	1,573	1,954	1,893	1,803	1,505	1,462
Contribution deficiency (excess)	10	—	(1)	—	(2)	(2)	(14)
Housing and Food Services' covered payroll	14,440	12,152	15,192	14,789	14,256	13,444	13,051
Contributions as a percentage of covered payroll	10.37%	12.94%	12.86%	12.80%	12.65%	11.19%	11.20%

Unaudited—see accompanying independent auditors' report.

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

Schedules of Required Supplementary Information (Unaudited)

June 30, 2022 and 2021

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

(Dollar amounts in thousands)

		2022	2021
Total pension liability – beginning	$	962	4,002
Service cost		17	96
Interest		73	74
Differences between expected and actual experience		310	(1,557)
Changes in assumptions		101	(933)
Change in proportionate share		(9)	(679)
Benefit payments		(47)	(41)
Total pension liability – ending (a)		1,407	962
Plan fiduciary net position – beginning		377	312
Employer contributions		30	30
Net investment income		1	92
Plan fiduciary net position – ending (b)		406	434
UWSRP net pension liability (a) minus (b)	$	1,001	528
Plan fiduciary net position as percentage of the total pension liability		28.86%	45.11%
UWSRP covered payroll	$	7,798	7,239
Net pension liability as percentage of covered payroll		12.84%	7.29%

Unaudited – see accompanying independent auditors' report.

(Continued)

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

Schedules of Required Supplementary Information (Unaudited)

June 30, 2022 and 2021

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

(Dollar amounts in thousands)

		2021	2020	2019	2018	2017
Total pension liability – beginning	$	4,002	3,081	2,073	2,161	2,550
Service cost		96	85	61	74	98
Interest		74	109	85	81	74
Differences between expected and actual experience		(1,557)	161	533	(170)	(369)
Changes in assumption		(933)	649	302	(86)	(141)
Change in proportionate share		(679)	(40)	66	44	(26)
Benefit payments		(41)	(43)	(39)	(31)	(25)
Total pension liability – ending	$	962	4,002	3,081	2,073	2,161
UWSRP covered payroll	$	7,239	3,812	4,083	3,817	3,947
Total pension liability as percentage of covered payroll		13.29%	104.98%	75.46%	54.31%	54.75%

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

UW Supplemental Retirement Plan

(Dollar amounts in thousands)

		2022	2021
Contractually required contribution	$	30	28
Contributions in relation to the contractually required contribution		30	30
Contribution deficiency (excess)		—	(2)
UWSRP covered payroll		7,798	7,239
Contributions as a percentage of covered payroll		0.38%	0.41%

Unaudited – see accompanying independent auditors' report.

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

Schedules of Required Supplementary Information (Unaudited)

June 30, 2022 and 2021

Schedule of Changes in Total OPEB Liabililty

(Dollar amounts in thousands)

		2022	2021	2020	2019	2018
Total OPEB liability – beginning	$	20,290	20,437	18,610	21,574	23,102
Service cost		872	842	827	1,164	1,463
Interest		377	704	717	800	685
Differences between expected and actual experience		—	(108)	—	730	—
Changes in assumption		161	457	1,337	(5,094)	(3,342)
Benefit payments		(288)	(335)	(328)	(338)	(349)
Change in proportionate share		(3,969)	(990)	(726)	(226)	15
Other		—	(717)	—	—	—
Total OPEB liability – ending	$	17,443	20,290	20,437	18,610	21,574
OPEB covered payroll	$	28,983	34,641	36,122	34,274	34,860
Total OPEB liability as percentage of covered payroll		60.18%	58.57%	56.58%	54.30%	61.89%

Unaudited – see accompanying independent auditors' report.

Plans Administered by DRS

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

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

Additional Consideration on ADC for All Plans:

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

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

Plans Administered by the University

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

Covered payroll for the fiscal year ending June 30, 2022 and 2021 is based on the payroll of participants in the University's 403(b) defined contribution UWRP, since the UWSRP required contributions beginning in fiscal year 2021 are based on this payroll. This employee population includes the participants of the UWSRP.

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

Material assumption changes during the fiscal year 2022 measurement period include updating the discount rate from 7.40% to 7.00% ("Change in assumption," which decreased the TPL). In addition, CREF investment experience during fiscal year 2022 was significantly lower than expected ("Difference between expected and actual experience," which also decreased the TPL).

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

Unaudited – see accompanying independent auditors' report.

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 2022 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 2.21% for the June 30, 2020 measurement date, to 2.16% for the June 30, 2021 measurement date. This change resulted in an increase in the TOL.

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

Unaudited – see accompanying independent auditors' report.

KPMG

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Basic Financial Statements and Schedules

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Table of Contents

KPMG LLP
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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 years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements for the years then ended as listed in the table of contents.

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, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

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, 2022 or 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in note 2, in fiscal year 2022, the Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. 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 pages 4 through 13 and the schedules of required supplementary information on pages 49 through 56 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The schedules of operating and other revenue by specific function and schedules of operating expenses and other deductions by specific function on pages 57 through 60 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 audits 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 28, 2022

Discussion and Analysis Prepared by Management

The following discussion and analysis provide an overview of the financial position and activities of the University of Washington Department of Intercollegiate Athletics (ICA) as of and for the years ended June 30, 2022, 2021, and 2020. 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 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, 2022 or 2021, the changes in its financial position or its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Using the Financial Statements

ICA's financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The financial health of ICA can be measured by reviewing the summaries and explanations that follow.

Statements of Net Position Summary

The following statements of net position summary shows ICA's total assets, total pension deferred outflows of resources, total liabilities, total pension deferred inflows of resources, and net position as of June 30, 2022, 2021, and 2020:

Statements of Net Position Summary

		2022	2021	2020
			(In thousands)	
Current assets	$	39,434	30,024	33,320
Noncurrent assets:				
Capital assets, net		269,304	281,883	293,373
Other		154,739	160,307	109,791
Total assets		463,477	472,214	436,484
Pension deferred outflows of resources		4,844	4,048	4,925
OPEB deferred outflows of resources		636	1,964	1,920
Total assets and deferred outflows of resources	$	468,957	478,226	443,329

Statements of Net Position Summary (continued)

		2022	2021	2020
			(In thousands)	
Current liabilities	$	37,051	29,992	31,982
Noncurrent liabilities		267,559	269,294	267,903
Total liabilities		304,610	299,286	299,885
Lease deferred inflows of resources		16,771	17,563	—
Pension deferred inflows of resources		11,262	8,014	2,406
OPEB deferred inflows of resources		2,429	3,188	3,558
Net position		133,885	150,175	137,480
Total liabilities, deferred inflows of resources, and net position	$	468,957	478,226	443,329

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

- Current assets consist of cash and cash equivalents, accounts receivable, and prepaid expenses. Current assets were $2.4 million more than current liabilities at the end of 2022. Current assets were $32 thousand more than current liabilities at the end of 2021. Current assets were $1.3 million more than current liabilities at the end of 2020. In 2022, the positive working capital is due to higher amounts of cash and account receivable and lower amounts of unearned income. The positive working capital in 2021, is due to lower amounts of accounts receivable and higher amounts of accounts payable and the addition of the lease receivable. In 2020, the positive working capital is due to higher amounts of cash and accounts receivable and lower amounts of unearned income. The unearned income for 2022 will be recorded as revenue in 2023 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 $18.1 million less at the end of 2022 and $39.0 million more at the end 2021. In 2022, investment decreases and capital asset depreciation were the main sources for the change in value. An increase in endowments and other investments of $34.4 million in 2021 resulted in the increase in 2021. As of June 30, 2022, and 2021, there was $16.9 million and $18.5 million of noncurrent assets in long-term investment funds in which these investments can be used to meet ICA's long-term obligations.
- Current liabilities increased by $7.1 million during 2022 to a total of $37.1 million largely due to the severance accrual for the football coaches and other staff who were terminated in December 2021. Current liabilities decreased by $2.0 million during 2021 to a total of $29.9 million largely due to decreases in unearned income.
- Noncurrent liabilities decreased by $1.7 million in 2022 due to a reduction in the capitalized equipment lease payable and a reduction in pension liabilities. Noncurrent liabilities increased by $1.4 million in 2021 due to the increase in the Internal Lending Program loan as a result of the debt deferral approved by the University's Board of Regents; this resulted in no cash interest or principal interest payments in 2021. This increase was partially offset by a decrease in pension liabilities.

- The change in net position measures whether the overall financial condition has improved or deteriorated during the year. The total net position decreased by $16.3 million during 2022 mainly due to market losses in the Consolidated Endowment Fund (CEF). The total net position increased by $12.7 million during 2021 mainly due to receiving more capital gifts for the Basketball Operations Center, and market gains in the CEF.

ICA's Net Position

The following table is a summary of the net position for ICA at June 30, 2022, 2021, and 2020:

		2022	2021	2020
			(In thousands)	
Net investment in capital assets	$	23,874	32,426	53,004
Restricted:				
Nonexpendable		78,201	76,461	72,708
Expendable		58,520	57,609	27,161
Unrestricted		(26,710)	(16,321)	(15,393)
Total net position	$	133,885	150,175	137,480

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 $8.6 million and $20.6 million in 2022 and 2021 to a total of $23.9 million and $32.4 million, respectively. This balance increases as debt is paid off or when ICA funds fixed asset purchases without financing. The balance decreases as assets are depreciated or debt increases.
- Restricted nonexpendable net position increased by $1.7 million and $3.8 million in 2022 and 2021, respectively, due to an increase in contributed endowments of $1.8 million and $3.1 million, respectively.
- Restricted expendable net position increased by $911 thousand and $30.4 million in 2022 and 2021 due to an increase in the market value of endowments and the contributions to the Basketball Operations restricted gift budget.

- Unrestricted net position decreased by $10.4 million in 2022 mainly due to investment losses in 2022. Unrestricted net position decreased by $928 thousand in 2021 mainly due to decreases in operating revenues due to no ticketed events, however contributions and investment gains offset some of the loss of gate revenue.
- The fair market value of ICA's endowments was $110.6 million, $119.5 million, and $89.0 million at June 30, 2022, 2021, and 2020, respectively. The decrease in 2022 is due to lower fair market values than in 2021, offset by additional endowment contribution of $1.8 million. The increase 2021 is due to additional endowment contributions $3.1 million and higher fair market values than in 2021 and 2020, respectively.
- ICA had $16.9 million, $18.5 million, and $14.3 million of long-term investments, not including endowments, in the University of Washington's CEF at June 30, 2022, 2021, and 2020, respectively. In fiscal year 2022, ICA had a market-related loss of $1.6 million. In fiscal year 2021, ICA had a market-related gain of $4.3 million.
- Short-term investments in the Invested Funds Pool used as operating funds for ICA yielded no returns in 2022, 2021 and 2020.

Capital Improvements and Related Debt

- In 2022 and 2021, there was a net decrease of $8.6 million and $20.6 million in net investment in capital assets, primarily related to the depreciation of capital assets exceeding the acquisition of capital assets during the year. In 2022, there were principal payments made on the Stadium and Ballpark Internal Lending Program (ILP) loans that resulted in the principal balance being reduced by $3.1 million. In 2021, due to the Internal Lending Program debt payment deferral, the unpaid interest on the loan was added to the principal balance due on the Stadium and Ballpark ILP loans, resulting in an increase in the debt by $10.0 million.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position present how ICA's operating and nonoperating items resulted in changes in net position. In accordance with GASB reporting principles, revenues, and expenses are classified as either operating or nonoperating. The following summary shows the revenues, expenses, and changes in net position for the years ended June 30, 2022, 2021, and 2020:

Revenues, Expenses, and Changes in Net Position Summary

		2022	2021	2020
			(In thousands)	
Operating revenues	$	116,423	47,500	114,215
Operating expenses		(154,066)	(101,884)	(133,675)
Operating loss		(37,643)	(54,384)	(19,460)
Nonoperating revenues, net		6,514	57,044	8,673
Other revenues		14,839	10,035	12,310
Increase (decrease) in net position		(16,290)	12,695	1,523
Net position, beginning of year		150,175	137,480	135,957
Net position, end of year	$	133,885	150,175	137,480

Revenues from All Sources

The following table summarizes revenues from all sources for the years ended June 30, 2022, 2021, and 2020:

Revenues from All Sources Summary (in Thousands)

		2022	2021	2020
Gate ticket sales	$	50,660	8,250	44,110
NCAA/conference distributions		39,943	23,372	36,532
Sponsorships, trademarks, and licensing		20,180	15,332	26,577
Concessions, souvenirs, parking, and boat moorage		3,672	219	4,304
Other operating revenue		1,967	327	2,692
Contribution (noncapital)		7,725	24,510	15,152
Investment income, net		4,080	3,896	3,847
(Loss) gain on investments		(12,135)	31,000	(3,772)
University funded tuition waivers		4,658	4,501	4,360
Higher Education Emergency Relief Fund (HEERF II)		425	2,000	—
University support		10,000	—	—
Coaches contract settlement		500	—	—
Lease revenue		792	792	—
Lease interest income		582	595	—
Capital gifts		13,045	6,206	7,811
Capital grants, gifts, and other		—	769	—
Endowment gifts		1,794	3,060	4,499
Total revenue – all sources	$	147,888	124,829	146,112

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

- Gate ticket sales are a major source of revenue for ICA. Totals here include revenue received through seat-related contributions, which are no longer considered tax-deductible after the passage of the Tax Cuts and Jobs Act of 2017. Tickets sales increased by $42.4 million in 2022 due to the elimination of group gathering restrictions related to COVID-19, which allowed the Department to host fans at events once again. Ticket sales decreased by $35.9 million in 2021 from 2020 due to the Department's inability to host fans at events throughout the year due to novel Coronavirus outbreak (COVID-19) gathering restrictions.
- NCAA/conference distributions increased by $16.6 million in 2022 due to there being no COVID-19 related game cancellations. NCAA/conference distributions decreased $13.2 million in 2021 due to football game cancellations across the conference in the fall of 2020, which reduced TV rights and Bowl game revenue.
- In 2022, sponsorship revenue increased by $4.8 million for multimedia rights and field naming rights due to the Department's ability to host fans at events. In 2020, sponsorships included a signing bonus from adidas for the 10-year apparel contract, which started on July 1, 2019. The adidas apparel contract also included $1 million one-time product allotment to cover costs associated with the transition of all apparel items from Nike to adidas. Sponsorship revenue in 2021 was $10.9 million lower due to the elimination of these one-time resources from adidas, as well as decreases in sponsorship payments for multimedia rights and field naming rights resulting from COVID-19.
- Concessions, souvenirs, parking, and boat moorage increased by $3.5 million in 2022 due to the ability for the Department to have fan attend home competitions again. Concessions, souvenirs, parking, and boat moorage decreased by $4.1 million in 2021 due not hosting fans at events throughout the year.
- The Huskies All In campaign ended at the end of calendar year 2021, which reduced contributions by $16.8 million in 2022. Contributions related to noncapital gifts increased by $9.4 million in 2021 from 2020 due to the launch of the Huskies All In fundraising campaign in response to COVID-19 related revenue losses in other areas.
- Investment income increased by $184 thousand and $49 thousand in 2022 and 2021, respectively. Investment income is earned on the following two categories:
  - Investment income in the CEF increased by $184 thousand and $49 thousand in 2022 and 2021 mainly due to an increase in the balance held in the CEF during these periods.
  - Short-term investments received zero distributions in 2022, 2021 and 2020.
- In 2022, there was a decrease in gain on investments of $43.1 million, due to the decrease value of long-term investments and endowment funds. In 2021, there was an increase in gain on investments of $34.8 million, due to the increase value of long-term investments and endowment funds.
- In 2022 and 2021, the Department was awarded $425 thousand and $2.0 million in federal funding from the Higher Education Emergency Relief Fund (HEERF II). These funds were used to cover student aid and support services resulting from COVID-19.
- In 2022, the Department received $10.0 million from the University's Rate Stabilization Account in order to mitigate the financial impact of lower attendance at athletic events in fiscal year 2022 compared to prior to the pandemic.

- Capital gifts were $13.0 million in 2022, $6.2 million in 2021, and $7.8 million in 2020, respectively. The increase in 2022 is mainly related to gifts received for the Basketball Operations Center. Capital gifts were lower in 2021 due to the Huskies All In campaign, which prioritized gifts for operations.
- Endowment gifts decreased by $1.3 million in 2022 and decreased by $1.4 million in 2021 due to donors prioritizing giving to the Basketball Operations Center.

Expenses and Losses

The following table summarizes expenses and losses for the years ended June 30, 2022, 2021, and 2020:

Expenses and Losses Summary

		2022	2021	2020
			(In thousands)	
Salaries and wages	$	56,546	35,127	39,219
Payroll taxes and employee benefits		4,988	7,191	9,872
Athletic student aid		16,087	15,582	14,729
Guarantees paid to visiting teams		3,141	320	1,674
Team travel		7,267	3,349	5,430
Day of game		9,712	2,054	8,622
Direct facilities, maintenance, and utilities		5,176	4,122	4,940
Advertising		—	—	2,749
Uniforms, supplies & Student Athlete Awards		10,878	6,902	9,347
Training table		4,483	2,932	2,875
Department relations		786	269	643
Banquets and special events		517	34	255
Depreciation		15,722	15,438	16,085
Noncapitalized equipment and repairs		1,845	296	2,307
Institutional overhead		—	—	2,910
Other operating expenses		16,918	8,268	12,018
Total operating expenses		154,066	101,884	133,675
(Gain) loss on disposal of capital assets		(24)	—	7
Interest expense		10,137	10,250	10,907
Total nonoperating expenses and losses		10,113	10,250	10,914
Total	$	164,179	112,134	144,589

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

- Salaries and wages increased by $21.4 million in 2022 from 2021 primarily due to the midyear change in football staff, which resulted in $6.6 million in paid severance expenses through June 30, 2022 and $10.4 million in accounts payable for future severance obligations. Salaries and wages decreased by $4.1 million in 2021 from 2020 due to staffing and salary reductions aimed at mitigating the financial impacts of COVID-19. These included voluntary salary reductions, furloughs, FTE reductions, and staff layoffs.
- Payroll taxes and employee benefits decreased by $2.2 million in 2022 from 2021 due to lower payroll load rates across all categories of employees and lower pension expenses. Also, $2.5 million in benefits associated with severance is classified in salaries and wages instead of payroll taxes and benefits. Payroll taxes and employee benefits decreased by $2.7 million in 2021 from 2020 due to the aforementioned staffing and salary reductions. Since payroll taxes and employee benefits are a percentage of salaries and wages, the changes detailed above in salaries and wages directly impact the changes in payroll taxes and employee benefits. The percentages charged to ICA on professional and contract staff salaries went from 32.1% in 2020, 30.3% in 2021, to 29.4% in 2022. The percentages charged on classified staff salaries went from 41.2% in 2020, 39.6% in 2021, to 37.3% in 2022. The percentages charged on hourly staff and overtime went from 20.9% in 2020, 22.2% in 2021, to 20.4% in 2022.
- Athletic student aid increased by $505 thousand in 2022 from 2021 due to in-state tuition increasing by 2.8% and out-of-state tuition rates increasing by 2.0%. Athletic student aid increased by $853 thousand in 2021 from 2020 due to seniors returning after being granted an additional year of eligibility when their Spring 2020 seasons were canceled or altered due to COVID-19.
- Guarantees paid to visiting teams fluctuate due to the difference in the nonconference football game schedule. In fiscal year 2022, guarantees increased by $2.8 million due to playing a full football season, which included nonconference games. In fiscal year 2021, there were less guarantees paid out due to the cancellation of nonconference football games.
- Team travel increased by $3.9 million in 2022 from 2021 due to teams playing their full regular seasons and no COVID-19 related game cancellations in football. Travel expenses were also impacted by higher flight costs. Team travel decreased by $2.1 million in 2021 from 2020 due to regular and postseason game cancellations, particularly in football.
- Day of game increased by $7.7 million in 2022 from 2021 due to being able to host fans at home competitions again. Day of game decreased by $6.6 million in 2021 from 2020 due to not hosting fans at home competitions due to COVID-19.
- Direct facilities, maintenance, and utilities increased by $1.1 million and decreased $818 thousand in 2021 due to changes in utility costs and contract payments to vendors in 2022 and in 2021.
- Uniforms, supplies, and Student Athlete Awards increased by $4.0 million in 2022 and decreased $2.4 million in 2021. The increase in 2022 is due Alston student award payments of $1.8 million and an increase in the purchase of general and athletic supplies. The decrease in 2021 is related to department budget cuts and a lower product allotment amount from adidas.
- Training table increased $1.6 million in 2022 due increase food and catering training table meal costs for the teams and food costs for the performance nutrition center. In 2021, training table increased $57 thousand due to increased catered training table meals.

- Department relations and banquets and special events increased by a total of $1.0 million in 2022 due to once again hosting the Hall of Fame ceremony and other banquets/special events, which has been canceled in 2021 due to COVID-19.
- Noncapitalized equipment and repairs increased by $1.5 million in 2022 and decreased $2.0 million in 2021. The increase in 2022 is due to having more noncapitalized facility enhancement projects than in 2021. The decrease in 2021 is due to taking on fewer noncapitalized facility enhancement projects.
- Institutional overhead was waived in 2022 and 2021 by the University to assist the Department in mitigating the financial impacts of COVID-19.
- Other expenses increased by $8.7 million in 2022 mainly due to higher consultant expenses, legal fees, dues/subscriptions, the return of administrative and recruiting travel for all staff and coaches, and credit card fees. Other expenses decreased by $3.7 million in 2021 mainly due to lower consultant expenses, no recruiting travel until June 2021, and less credit card fees from not having ticket sales.
- Interest expense included in other operating expenses above decreased by $114 thousand in 2022 and $657 thousand in 2021 due to lower interest payments for the Husky Ballpark and Husky Stadium financed projects. In addition, the Internal Lending Program interest rate decreased from 4.25% to 4.00% effective July 1, 2021.

Operating Loss

There was an operating loss of approximately $37.6 million and $54.4 million in 2022 and 2021, respectively. There was not sufficient nonoperating revenues from contributions, investment income, University funded tuition waivers, and other nonoperating revenues to cover the operating loss for 2022. There are not sufficient nonoperating revenues mainly due to the decline in market value of investments in 2022. In 2021, there was sufficient nonoperating revenues from contributions, investment income, and University funded tuition waivers to cover the operating loss.

Economic Factors Affecting the Future

The Department continues to feel the impact of COVID-19 on attendance and ICA's football season ticket base. The Department sold approximately 33 thousand season tickets for the 2022 football season, which is 10 thousand fewer season ticket than the 2019 season. The shutdown in March, 2020 and inability to host fans in the 2020 season essentially put the football sales cycle on hold for 12 months, during which time the Department was unable to grow its season ticket base. When fans were welcomed back in 2021, vaccine verifications or negative COVID-19 tests were required for entry, and masks were required to be worn during the games. All of these factors, in addition to team performance in the 2021 season, have lowered demand and limited the Department's ability to increase sales and adjust ticket prices and seat-related donations. Since football revenue supports the operations of all 22 Intercollegiate Athletic programs, revenue loss in this area may limit the Department's ability to provide the same level of services to teams going forward.

NCAA deregulation has had a significant impact on increasing department expenses and will continue to do so as new legislation is passed. The *Alston vs. NCAA* case ruling in May 2020 made it permissible to cover 'educational expenses' beyond what is typically covered in cost of attendance; the expenses that resulted from this ruling equaled to $1.8 million in 2022. In addition, student athletes have been able to profit off of their Name, Image and Likeness since July 1, 2021; this legislation represents a seismic shift in the landscape of college athletics and has required the Department to hire two additional positions in order to manage education and compliance. Other areas being considered for deregulation are the elimination of limits on number of scholarships and size of coaching staffs; if passed, these will increase expenses significantly.

In July 2022, UCLA and USC announced that they were leaving the Pac-12 Conference for the Big Ten Conference effective July 1, 2024. The financial impact of conference realignment will be clearer in the coming months, as negotiations around TV rights are completed and terms are finalized.

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.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Statements of Net Position

June 30, 2022 and 2021

Assets and Deferred Outflows of Resources	2022	2021
Current assets:		
Cash in the University of Washington Invested Funds Pool (note 2)	$ 34,900,147	26,333,099
Accounts receivable	2,611,601	1,721,122
Prepaid expenses	1,420,861	1,481,938
Lease Receivable, current portion (note 11)	455,431	440,667
Accrued Interest revenue (note 11)	45,723	46,878
Total current assets	39,433,763	30,023,704
Noncurrent assets:		
Investments:		
University of Washington Consolidated Endowment Fund (note 3)	16,870,246	18,506,253
Endowments (note 3)	110,550,791	119,483,062
UWSRP (note 9)	4,213,215	3,986,741
Advances to University for capital projects	1,053,663	892,414
Lease receivable, net of current portion (note 11)	16,983,317	17,438,748
Capital assets, net (note 4)	269,303,586	281,883,089
Pension Assets (note 8)	5,068,000	—
Total noncurrent assets	424,042,818	442,190,307
Total assets	463,476,581	472,214,011
Pension deferred outflows of resources (note 9)	4,844,369	4,048,270
OPEB deferred outflows of resources (note 10)	636,000	1,964,000
Total assets and deferred outflows of resources	$ 468,956,950	478,226,281
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable	$ 12,169,677	1,789,477
Accrued salaries and vacation payable	4,719,872	3,746,042
Admission taxes payable	827,342	894,903
Accrued interest payable	205,171	15,769
Unearned income	18,143,723	19,699,368
Capitalized equipment lease payable, current portion (note 7)	985,442	962,748
Internal lending program payable, current portion (note 6)	—	2,884,004
Total current liabilities	37,051,227	29,992,311
Noncurrent liabilities:		
Capitalized equipment lease payable, net of current portion (note 7)	—	985,442
Internal lending program payable, net of current portion (note 6)	244,444,707	244,624,800
Pension liabilities (note 8)	3,268,945	3,717,759
Other post-employment benefit (OPEB) liabilities (note 10)	12,545,000	12,666,000
Pac-12 Management Fee payable	7,300,000	7,300,000
Total noncurrent liabilities	267,558,652	269,294,001
Total liabilities	304,609,879	299,286,312
Lease deferred inflows of resources (note 11)	16,770,806	17,563,126
Pension deferred inflows of resources (note 9)	11,262,617	8,013,541
OPEB deferred inflows of resources (note 10)	2,429,000	3,188,000
Total liabilities and deferred inflows of resources	335,072,302	328,050,979
Net position:		
Net investment in capital assets	23,873,437	32,426,095
Restricted:		
Nonexpendable (note 3)	78,201,171	76,461,049
Expendable:		
Expendable endowment principal (note 3)	1,297,680	1,423,523
Expendable endowment gains	31,051,940	41,598,490
Other expendable	26,170,218	14,587,269
Unrestricted	(26,709,798)	(16,321,124)
Total net position	133,884,648	150,175,302
Total liabilities, deferred inflows of resources, and net position	$ 468,956,950	478,226,281

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

		2022	2021
Operating revenue:			
Gate ticket sales	$	50,659,760	8,249,621
NCAA/conference distributions		39,943,460	23,372,161
Sponsorships		19,212,863	14,734,970
Concessions, souvenirs, parking, and boat moorage		3,672,058	218,751
Trademarks and licensing		967,127	597,107
Facility income		1,289,822	212,028
Other		677,364	115,301
Total operating revenue		116,422,454	47,499,939
Operating expenses:			
Salaries and wages		56,546,400	35,127,520
Payroll taxes and employee benefits		4,987,891	7,190,782
Athletic student aid		16,087,425	15,582,048
Guarantees paid to visiting teams		3,141,470	320,000
Team travel		7,266,775	3,349,320
Day of game expenses		9,712,398	2,054,244
Direct facilities, maintenance, and utilities		5,176,366	4,122,379
Uniforms, supplies, and student athlete awards		10,877,709	6,901,507
Training table		4,483,058	2,931,911
Department relations		785,776	269,386
Banquets and special events		516,933	34,483
Depreciation		15,721,990	15,438,292
Noncapitalized equipment and repairs		1,845,271	295,534
Medical expenses		1,744,204	1,886,317
Fundraising, marketing, and promotions		226,364	30,930
Recruiting		1,259,439	142,372
Equipment		1,285	—
Other		13,684,885	6,207,397
Total operating expenses		154,065,639	101,884,422
Operating loss		(37,643,185)	(54,384,483)
Nonoperating revenues (expenses):			
Contributions		7,724,540	24,510,408
Investment income on CEF		4,080,279	3,896,581
Loss (gain) on investments		(12,135,482)	30,999,863
Gain on disposal of capital assets		23,500	—
University funded tuition waivers		4,657,999	4,500,799
Higher Education Emergency Relief Fund (HEERF II)		425,000	2,000,000
University support		10,000,000	—
Coaches contract settlement agreement		500,004	—
Lease revenue		792,321	792,322
Lease interest income		582,267	594,934
Interest expense		(10,136,804)	(10,250,360)
Total nonoperating revenues		6,513,624	57,044,547
Loss (gain) before other revenues		(31,129,561)	2,660,064
Other revenues:			
Capital gifts		13,045,229	6,205,670
Capital grants and other		—	768,880
Gifts to permanent endowments		1,793,678	3,060,376
Total other revenues		14,838,907	10,034,926
(Decrease) increase in net position		(16,290,654)	12,694,990
Net position:			
Net position at beginning of year, as restated (note 1(b))		150,175,302	137,480,312
Net position at end of year	$	133,884,648	150,175,302

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Statements of Cash Flows

Years ended June 30, 2022 and 2021

		2022	2021
Cash flows from operating activities:			
Gate ticket sales	$	48,929,927	6,744,953
NCAA/conference distributions		39,847,145	25,837,891
Sponsorships		13,820,880	12,397,331
Concessions and souvenirs		3,617,957	229,459
Trademarks and licensing		967,127	597,107
Facility income		1,115,668	215,553
Other		682,316	107,771
Payments to suppliers		(45,221,153)	(23,516,446)
Payments to employees		(55,571,185)	(35,180,418)
Payments for benefits		(7,603,728)	(9,229,046)
Payments for athletic aid		(16,220,562)	(15,585,409)
Net cash used in operating activities		(15,635,608)	(37,381,254)
Cash flows from noncapital financing activities:			
Contributions, excluding permanent endowments and capital		7,724,540	24,510,408
Contributions to permanent endowments		1,793,678	3,060,376
Interest paid on Pac-12 MMR		(15,769)	(504,338)
Coaches contract settlement agreement		500,004	—
Higher Education Emergency Relief Fund (HEERF II)		425,000	2,000,000
University funded tuition waivers		4,657,999	4,500,799
University support		10,000,000	—
Lease revenue		440,667	476,034
Lease interest revenue		583,422	548,055
Net cash provided by noncapital financing activities		26,109,541	34,591,334
Cash flows from capital and related financing activities:			
Capital gifts received		13,045,229	6,205,670
Capital grants, gifts, and other		—	768,880
Acquisition and construction of capital assets		(3,280,236)	(2,626,552)
Principal paid on capital debt		(4,026,845)	(940,578)
Interest paid on capital debt		(9,931,634)	(57,355)
Net cash (used in) provided by capital and related financing activities		(4,193,486)	3,350,065
Cash flows from investing activities:			
Purchases of investments		(1,793,678)	(3,405,904)
Investment income		4,080,279	3,903,034
Net cash provided by investing activities		2,286,601	497,130
Net increase in cash and cash equivalents		8,567,048	1,057,275
Cash and cash equivalents at beginning of year		26,333,099	25,275,824
Cash and cash equivalents at end of year	$	34,900,147	26,333,099
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(37,643,185)	(54,384,483)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense		15,721,990	15,438,292
Other changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(890,479)	5,300,312
Decrease (increase) in prepaid expenses		61,077	(459,513)
Increase in pension asset		(5,068,000)	—
Increase in accounts payable		10,380,200	348,770
Decrease in unearned income		(1,555,645)	(1,479,029)
Increase (decrease) in accrued salaries and vacation payable		973,830	(46,298)
Increase (decrease) in pension liability		2,004,163	(2,019,264)
Increase (decrease) in OPEB liability		448,000	(19,000)
Decrease in admissions taxes payable		(67,561)	(61,041)
Net cash used in operating activities	$	(15,635,610)	(37,381,254)
Supplemental disclosures of noncash activities:			
Donated supplies and team travel costs	$	5,200,000	5,100,000
Pac-12 Management Fee and interest		205,171	15,769
Internal Lending Program deferred interest payable		—	10,028,754

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The University of Washington Department of Intercollegiate Athletics (the Department or ICA) is an auxiliary enterprise within the University of Washington (the University). The records of the Department are maintained as part of the general records of the University.

The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on societal and economic conditions at a local, national, and global level and has had a significant impact on the Department's operations. In August 2020, the Pac-12 Conference canceled all sport competition until January 1, 2021. In September 2020, the Pac-12 Conference announced football teams would play a seven game Conference-only season that began on November 6 with a Pac-12 Championship Game on December 18. Additionally, men's and women's basketball teams began their season on the NCAA official start date of November 25. The winter sports and the other fall sports resumed competition in January 2021.

Since ICA's revenues are primarily driven by football, and to a lesser extent men's basketball, the inability to host fans at home competitions severely impacted gate revenues in fiscal year 2021.

(b) Basis of Presentation

The financial statements of the Department have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The Department is reporting as a special purpose government engaged in business-type activities (BTA). In accordance with BTA reporting, the Department presents a management's discussion and analysis, statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements. The financial statements 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, 2022 and 2021, the changes in its financial position, or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP). The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The Department reports capital assets net of accumulated depreciation (as applicable) and reports depreciation expense in the Statements of Revenues, Expenses, and Changes in Net Position.

On July 1, 2021, ICA implemented GASB Statement No. 87, *Leases*, (GASB 75). This Statement changed the accounting and financial reporting for leases, by establishing a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This Statement applies to contracts that convey the right to use a nonfinancial asset in an exchange or exchange-like transaction for a term exceeding 12 months.

Lessees are now required to recognize a lease liability and an intangible right-to-use (ROU) lease asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources. As a result of the implementation, ICA has applied the standard retroactively to July 1, 2020. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2021 have been restated to conform with the requirements of GASB 75 and the current year presentation.

(c) Capital Assets

Expenditures for repairs for routine maintenance are expensed as incurred. Capital expenditures for facilities and equipment funded by the Department are reflected as capital assets on the Department's Statements of Net Position. Buildings, furniture, fixtures, and equipment are stated at cost, or if acquired by gift, at fair market value at the date of the gift. Additions, replacements, major repairs, and renovations are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, and 5 to 7 years for furniture, fixtures, and equipment.

(d) Advances to University for Capital Projects

Advances to the University for capital projects represent the difference between the cash paid and the expenditures incurred by the University for various capital projects that are in process at year-end, which ICA expects to expense or capitalize in the next fiscal year.

(e) Unearned Income

Funds received from the sale of tickets for games to be played subsequent to June 30, 2022 and 2021 are unearned. The Department's receipts are recognized as income in the period in which the games are played. At June 30, 2022 and 2021, unearned income consists of the following:

		2022	2021
Advance sales of football tickets	$	17,296,226	19,284,603
Advance sales for men's and women's basketball		638,723	3,810
Other unearned income		208,774	410,955
	$	18,143,723	19,699,368

(f) Operating Activities

The Department defines operating activities, as reported on the Statements of Revenues, Expenses and Changes in Net Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Certain other revenues used for operations, such as contributions, University funded tuition waivers and investment income, are recorded as nonoperating revenues.

(g) Contributions

Contributions are recorded as income when all conditions and eligibility criteria have been met.

(Continued)

(h) Sponsorships

Sponsorships revenue for donated supplies is recognized as an exchange transaction and is recorded in income when the related advertising or supplies are received.

The Department recorded $5.2 million and $5.1 million in sponsorship revenue for these transactions in the years ended June 30, 2022 and 2021, respectively.

(i) Income Taxes

As a part of the University, the Department is exempt from federal income taxes, except to the extent of unrelated business taxable income. Unrelated business tax was not significant to the financial statements taken as a whole at June 30, 2022 and 2021.

(j) Use of Estimates

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

ICA's share of pension and 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 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. ICA reports its proportionate share of the related pension amounts in the accompany financial statements.

Single Employer Pension Plan (UW Supplemental Retirement Plan). Legislation signed into law on July 1, 2020 amended the Revised Code of Washington (RCW) applicable to the UWRSP 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 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, 2022 and 2021, 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. The measurement date for the UW Supplemental Retirement Plan liability is the same as the Statements of Net Position Date. The ICA reports its proportionate share of the related pension amounts in the accompany financial statements.

OPEB. The total OPEB liability is measured as the University's proportionate share of the state of Washington total OPEB liability, with proportionate share determined based on the relationship of the University's healthcare-eligible headcount to the total healthcare-eligible headcount for the state. The total OPEB liability is determined by discounting projected benefit subsidies for current employees and retirees based on the discount rate required by GASB Statement No. 75 for OPEB plans 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. The ICA reports its proportionate share of the related OPEB amounts in the accompany financial statements.

(l) Leases

ICA 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 Statements of Net Position. Lease assets represent ICA'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 ICA'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 ICA will exercise that option. ICA recognizes payments for short-term leases with a lease term of 12 months or less as expense as the payments are made.

Lessor arrangements are included in lease receivables and deferred inflows of resources in the Statements 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 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. ICA recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received.

(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 $34,900,147 and $26,333,099 as of June 30, 2022 and 2021, respectively. These funds are available to the ICA on demand without prior notice or penalty. The Cash and Liquidity Pools were invested as follows at June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	4.5 %	4.9 %
Treasuries and agencies	65.8	68.6
Mortgage related securities	5.2	6.2
Asset-backed debt securities	18.4	14.5
Other	6.1	5.8
Total	100.0 %	100.0 %

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

(3) Investments

The Department purchases or sells units in the University's Consolidated Endowment Fund (CEF) on the basis of a per unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed by the University based on the number of units held. The Department records its permanent endowments at fair value. Net appreciation/depreciation in the fair value is recorded as gain or loss on investments in the Statements of Revenue, Expenses, and Changes in Net Assets. For the investment portion of the CEF funds, the principal balance can be withdrawn at the end of each quarter. The Department earned investment income on these investment funds based on the performance of the University's CEF funds net of investment management and University administrative fees. The total (loss) return on the investments portion of the CEF funds for the years ended June 30, 2022 and 2021 was approximately (5.5%) and 35.1%, respectively.

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units starting with a 4.9% spending rate in fiscal year 2020. Quarterly distributions to programs are based on an annual percentage rate of 3.92%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for administrative fees of 0.98%, of which 0.78% are to support campus-wide fundraising and stewardship activities and 0.20% are to offset the internal cost of managing endowment assets. The reduction to 4.5% is in full effect for fiscal year 2022 and beyond. The Department's endowments represent 2.73% and 2.94% of the CEF balance as of June 30, 2022 and 2021, respectively.

At June 30, 2022 and 2021, the fund balance of the Endowment and Expendable Endowment funds stated at fair value comprised the following:

		2022	2021
Expendable endowments:			
Graham*	$	525,171	576,100
Spence*		772,509	847,423
Endowments (including expendable gains)		109,253,111	118,059,539
Total	$	110,550,791	119,483,062

* Expenditure of principal is permitted under certain circumstances.

The Department received $1,793,678 and $3,060,376 in endowment gifts in 2022 and 2021, respectively, which are invested in the CEF. The CEF is not rated.

(a) Fair Value of Financial Instruments

(i) Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department has the ability to access at the measurement date. As of June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, the Department did not carry any Level 3 assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

Valuation techniques utilized in the fair value measurement of assets and liabilities presented on the Department's Statements of Financial Position were not changed from previous practice during the reporting period.

(ii) Financial Assets Measured at Fair Value on a Recurring Basis

The following table presents information about the Department's financial assets that are measured at fair value on a recurring basis using net asset value per share as a practical expedient at June 30, 2022 and 2021.

	June 30	
	2022	**2021**
Assets:		
Investments measured at net asset value:		
Pooled investments in the CEF	$ 16,870,246	18,506,253
Endowment and expendable endowment fund investments in the CEF	110,550,791	119,483,062
Total	$ 127,421,037	137,989,315

The Department participates in pooled investments in the CEF and has the ability to redeem its investment at net asset value at June 30, 2022 and 2021.

(4) Capital Assets

In 2022, there was $138,887 in transfers and reinstated equipment added to the furniture, fixtures, and equipment line and the accumulated depreciation furniture, fixtures, and equipment line below.

Capitalized asset activity for the years ended June 30, 2022 and 2021 is summarized as follows:

	Balance at June 30, 2021	Additions/ (transfers)	Retirements	Balance at June 30, 2022
Buildings	$ 456,774,967	5,556,257	—	462,331,224
Furniture, fixtures, and equipment	15,597,506	1,246,576	(253,947)	16,590,135
Construction in progress*	4,704,510	(3,521,459)	—	1,183,051
Total	477,076,983	3,281,374	(253,947)	480,104,410
Less accumulated depreciation:				
Buildings	181,027,235	15,082,181	—	196,109,416
Furniture, fixtures, and equipment	14,166,659	778,696	(253,947)	14,691,408
Total accumulated depreciation	195,193,894	15,860,877	(253,947)	210,800,824
Capital assets, net	$ 281,883,089	(12,579,503)	—	269,303,586

* Nondepreciable

	Balance at June 30, 2020	Additions/ (transfers)	Retirements	Balance at June 30, 2021
Buildings	$ 456,774,967	—	—	456,774,967
Furniture, fixtures, and equipment	15,560,732	247,161	(210,387)	15,597,506
Construction in progress*	1,003,376	3,701,134	—	4,704,510
Total	473,339,075	3,948,295	(210,387)	477,076,983
Less accumulated depreciation:				
Buildings	166,125,284	14,901,951	—	181,027,235
Furniture, fixtures, and equipment	13,840,705	536,341	(210,387)	14,166,659
Total accumulated depreciation	179,965,989	15,438,292	(210,387)	195,193,894
Capital assets, net	$ 293,373,086	(11,489,997)	—	281,883,089

* Nondepreciable

(5) Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2022 and 2021 is summarized as follows:

	Balance as of June 30, 2021	Additions	Reductions	Balance as of June 30, 2022	Current portion as of June 30, 2022
Internal lending program payable	$ 247,508,804	—	(3,064,097)	244,444,707	—
Capitalized equipment lease payable	1,948,190	—	(962,748)	985,442	985,442
Pac-12 management fee	7,300,000	—	—	7,300,000	—
	$ 256,756,994	—	(4,026,845)	252,730,149	985,442

	Balance as of June 30, 2020	Additions	Reductions	Balance as of June 30, 2021	Current portion as of June 30, 2021
Internal lending program payable	$ 237,480,050	10,028,754	—	247,508,804	2,884,004
Capitalized equipment lease payable	2,888,766	—	(940,576)	1,948,190	962,748
Pac-12 management fee	7,300,000	—	—	7,300,000	—
	$ 247,668,816	10,028,754	(940,576)	256,756,994	3,846,752

(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 2022, the Board of Regents approved a restructure of the debt service for fiscal years 2023 through 2025 as interest only, and level debt service thereafter. There is no capitalized interest or loan extension for this restructure. As of June 30, 2022, 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:		
2023	$ —	9,777,788
2024	—	9,777,788
2025	—	9,777,788
2026	8,064,663	9,629,936
2027	8,393,275	9,301,325
2028–2032	47,383,757	41,089,244
2033–2037	57,856,931	30,626,069
2038–2042	70,644,977	17,828,022
2043–2046	52,101,104	3,415,306
	$ 244,444,707	141,223,266

ILP activity for the years ended June 30, 2022 and 2021 is summarized as follows:

Balance as of June 30, 2020	$	237,480,050
Additions		10,028,754
Reductions		—
Balance as of June 30, 2021		247,508,804
Additions		—
Reductions		(3,064,097)
Balance as of June 30, 2022	$	244,444,707

(7) Equipment Lease

Future minimum lease payments for the equipment lease and the present value of the net minimum lease payments as of June 30, 2022 are as follows:

		Future payments
Years ending June 30:		
2023	$	997,934
Total minimum lease payments		997,934
Less amount representing interest cost		12,492
Present value of minimum payments	$	985,442

The equipment under capital lease is fully depreciated as of June 30, 2022 and 2021.

(8) Related-Party Transactions

The University provides support to the Department by performing the following services:

- Providing use of University buildings and equipment
- Serving as the depository, purchasing, and disbursing agent
- Providing certain administrative and accounting services

In addition, the Department purchases operating and other services from the University and is allocated institutional overhead from the University for services provided and payment for utility costs. There were $0 of institutional overhead allocated from the University for fiscal years 2022 and 2021.

The Department is covered by the University's self-insurance program and is responsible for the first $100,000 of costs in general, automobile, and employment practices liability claims. Payments over

$100,000 are covered by the University's self-insurance program and excess carriers, except that in claims related to coaches' contracts or the acts of trainers and non-University physicians to the athletes' medical services program, all costs are the exclusive responsibility of the Department.

(9) Pension Plans

(a) Pension Plans

The University offers several contributory pension plans administered by the Washington State Department of Retirement Systems (DRS). ICA has employees in the Public Employees' Retirement System plan, which is a 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 University of Washington Supplemental Retirement Plan.

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

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

(c) Vesting and Benefits Provided

(i) PERS Plan 1

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

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

(ii) PERS Plan 2/3

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

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

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

(d) Fiduciary Net Position

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

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

DRS publishes an annual report for retirement plans, which is available at https://drs.wa.gov/wp-content/uploads/2021/06/2021-ACFR.pdf

(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 2022 proportionate share of the pension liability is based on an OSA valuation performed as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021. Likewise, ICA's 2021 proportionate share of the pension liability is based on an OSA valuation performed as of June 30, 2019, with the results rolled forward to the measurement date of June 30, 2020. The following actuarial assumptions have been applied to all prior periods included in the measurement:

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

Mortality rates as of June 30, 2020 and 2019 were based on the Society of Actuaries' Pub H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2020 and 2019, valuations were based on the results of the 2013-2018 Experience Study Report and 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

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 return of 7.40% as of June 30, 2021 and 2020, 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.

(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 dates, are summarized in the following table:

	June 30, 2022 (measurement date June 30, 2021)		June 30, 2021 (measurement date June 30, 2020)	
	Target allocation	% Long-term expected real rate of return arithmetic	Target allocation	% Long-term expected real rate of return arithmetic
Asset class:				
Fixed income	20.00 %	2.20 %	20.00 %	2.20 %
Tangible assets	7.00	5.10	7.00	5.10
Real estate	18.00	5.80	18.00	5.80
Global equity	32.00	6.30	32.00	6.30
Private equity	23.00	9.30	23.00	9.30

The inflation component used to create the above table was 2.20% for the June 30, 2020 and 2019 actuarial valuations, and represents WSIB's most recent long-term estimate of broad economic inflation.

(f) Discount Rate

The discount rate used to measure the total pension liabilities as of June 30, 2022 and 2021 was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1). Based on those assumptions, the fiduciary net position for each pension plan in which ICA participates was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.40% future investment rate of return on pension plan investments was assumed as of June 30, 2021 and 2020. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1, as provided for in Chapter 41.45 of the RCW).

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

The following table presents ICA's proportionate share of the net pension liabilities and assets calculated using the discount rate of 7.40%, as of June 30, 2021 and 2020, as well as what the net pension liabilities or assets would be if it were calculated using a discount rate that is one-percentage-point lower (6.40%) or one-percentage-point higher (8.40%) than the current rate:

Discount Rate Sensitivity – Net Pension Liability (Asset)

(Dollars in thousands)

		2022			2021		
		1% Decrease	**Discount rate at 7.4%**	**1% Increase**	**1% Decrease**	**Discount rate at 7.4%**	**1% Increase**
Plan:							
PERS 1	$	829	487	188	1,934	1,544	1,204
PERS 2/3		(1,444)	(5,068)	(8,052)	4,433	712	(2,352)

(h) Employer Contribution Rates

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA, and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The following table presents the contribution rates, states as a percentage of covered payroll as defined by the statute, and required contributions for each DRS plan in which ICA participates for the years ended June 30, 2022 and 2021:

Description		PERS Plan 1	PERS Plan 2/3[i]
		(Dollars in thousands)	
Contributions as June 30, 2022:			
Contribution rate		12.97 %	12.97 %
Contributions made	$	313	535
Contributions as June 30, 2021:			
Contribution rate		12.86 %	12.86 %
Contributions made	$	297	482

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, 2022 was June 30, 2021. Employer contributions received and processed by DRS during the fiscal year ended June 30, 2021 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, 2021 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension liabilities and assets recorded by ICA as of June 30, 2021 was June 30, 2020, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2020 used as the basis for determining each employer's proportionate share of the collective pension amounts. ICA's proportionate share for each DRS plan is shown in the table below:

	Proportionate share	
	PERS 1	**PERS 2/3**
Plan:		
Year ended June 30, 2022	0.04 %	0.05 %
Year ended June 30, 2021	0.04 %	0.06 %

(j) ICA Aggregated Balances

ICA's aggregated balances of net pension liabilities and net pension asset as of June 30, 2022 and 2021 is presented in the table below:

Plan		**PERS 1**	**PERS 2/3**	**Total**
			(Dollars in thousands)	
2022:				
Net pension liability	$	487	—	487
Net pension asset		—	5,068	5,068
2021:				
Net pension liability	$	1,544	712	2,256

(Continued)

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

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

Description		Proportionate share of pension expense		
		PERS Plan 1	PERS Plan 2/3	Total
			(Dollars in thousands)	
As of June 30, 2022	$	(230)	(1,166)	(1,396)
As of June 30, 2021		(39)	62	23

Description		Deferred outflows of resources		
		PERS 1	PERS 2/3	Total
			(Dollars in thousands)	
2022:				
Change in assumptions	$	—	7	7
Difference between expected and actual experience		—	246	246
Change in University's proportionate share		—	(109)	(109)
ICA contributions subsequent to the measurement date of the collective net pension liability[a]		313	535	848
Total	$	313	679	992
2021:				
Change in assumptions	$	—	10	10
Difference between expected and actual experience		—	255	255
Change in University's proportionate share		—	(34)	(34)
ICA contributions subsequent to the measurement date of the collective net pension liability[a]		297	482	779
Total	$	297	713	1,010

[a] Amounts will be recognized as a reduction of the net position liability as of June 30, 2023 and June 30, 2022.

Description		Deferred inflows of resources PERS 1	PERS 2/3	Total
		(Dollars in thousands)		
2022:				
Difference between expected and actual earnings on plan investments, net	$	540	4,236	4,776
Change in assumptions		—	360	360
Difference between expected and actual experience		—	62	62
Total	$	540	4,658	5,198
2021:				
Difference between expected and actual earnings on plan investments, net	$	9	36	45
Change in assumptions		—	487	487
Difference between expected and actual experience		—	89	89
Total	$	9	612	621

Amounts reported as deferred outflows of resources, as of June 30, 2022, 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)		
2023	$	(143)	(1,177)	(1,320)
2024		(131)	(1,101)	(1,232)
2025		(124)	(1,056)	(1,180)
2026		(142)	(1,132)	(1,274)
2027		—	(38)	(38)
Thereafter		—	(10)	(10)
Total	$	(540)	(4,514)	(5,054)

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

(l) University of Washington Retirement Plan (403b)

(i) 403(b) Plan Description

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

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

(ii) 403(b) Funding Policy

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

(m) University of Washington Supplemental Retirement Plan

The University of Washington Supplemental Retirement Plan (UWSRP), a single-employer 401(a) defined-benefit retirement plan administered by the University, operates in tandem with the 403(b) plan to supplement the expected defined-contribution retirement savings accumulated under the UWRP. For purposes of measuring the June 30, 2022 and 2021 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:

	June 30	
	2022	2021
Active employees	59	59
Inactive employees receiving benefits	12	12
Inactive employees entitled to, but not receiving, benefits	2	2

(i) Vesting and Benefits Provided

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

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

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

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the fiscal years ended June 30, 2022 and 2021 were $131,000 and $113,000, respectively.

(ii) Employer Contributions

Legislation signed into law on July 1, 2020, created an employer contribution rate for the UWSRP. This rate is developed by the OSA in accordance with RCW 41.45, which provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. ICA’s contribution rate for fiscal year ended June 20, 2022 and 2021 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in fiscal year ended June 30, 2022 and 2021 were $83,000 and $82,000, respectively. Prior to fiscal year 2021, employer contributions were not required.

(iii) Plan Investments

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

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

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

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. The annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense for the years ended June 30, 2022 and 2021 was 0.12% and 34.90%, respectively. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

(iv) Pension Liability

Assets set aside to pay UWSRP benefits are not held in a qualified trust as defined by GASB. A qualified trust requires that contributions from employers be irrevocable, dedicated to providing pension benefits to plan members, and are legally protected from creditors of the employer and plan administrator. As a result, these assets are not reflected as a reduction of the Total Pension Liability (TPL). As of June 30, 2022 and 2021, ICA has set aside $4,213,215 and $3,986,741, respectively, to pay future UWSRP retiree benefits. These assets are physically segregated in a separate investment account, and included in investments, net of current portion on the Statements of Net Position. The separate investment account was closed subsequent to June, 30, 2022 and the 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 paid to and accumulated by DRS beginning January 1, 2012 were transferred into the trust when this legislation became effective. As a result, ICA is now applying accounting guidance for single-employer plans that have trusted assets and reports the pension liability net of plan assets.

The allocation method used to determine ICA's proportionate share of the University's Net Pension Liability (NPL) and TPL is based on its unit allocation of what is funded through the benefit load process. This proportionate share percentage for ICA was 1.27% and 1.16% as of June 30, 2022 and 2021, respectively.

The components of ICA's proportionate share of the UWSRP net pension liability were as follows:

		As of June 30, 2022	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) minus (b)
		(Dollars in thousands)	
Schedule of changes in net pension liability:			
Beginning balance	$ 2,569	1,108	1,461
Service cost	47	—	47
Interest on TPL	202	—	202
Difference between expected and actual experience	863	—	863
Change in assumptions	281	—	281
Employer contributions	—	83	(83)
Investment income	—	1	(1)
Benefit payments	(131)	—	(131)
Other Changes	143	—	143
Net changes	1,405	84	1,321
Ending balance	$ 3,974	1,192	2,782

		As of June 30, 2021	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) minus (b)
		(Dollars in thousands)	
Schedule of changes in net pension liability:			
Beginning balance	$ 9,861	769	9,092
Service cost	265	—	265
Interest on TPL	204	—	204
Difference between expected and actual experience	(4,309)	—	(4,309)
Change in assumptions	(2,582)	—	(2,582)
Employer contributions	—	82	(82)
Investment income	—	257	(257)
Benefit payments	(757)	—	(757)
Other Changes	(113)	—	(113)
Net changes	(7,292)	339	(7,631)
Ending balance	$ 2,569	1,108	1,461

The June 30, 2022 TPL is based on an actuarial valuation performed as of June 30, 2020 with update procedures performed by the OSA to roll forward the TPL to the measurement dates of June 30, 2022 and 2021, respectively. The valuation was prepared using the entry age actuarial cost method.

ICA's share of UWSRP pension expense for the fiscal years ended June 30, 2022 and 2021 was $(605,796) and $(300,683), respectively.

(v) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on ICA. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant impact on the ICA's financial statements. The following table shows significant assumptions used to measure the Net Pension Liability (NPL) as of June 30, 2022 and 2021:

		June 30	
		2022	**2021**
		(Dollars in thousands)	(Dollars in thousands)
Significant assumptions used to measure the total pension liability:			
Inflation		2.75 %	2.75 %
Salary changes		4.00 %	4.00 %
Source of mortality assumptions		Pub. H-2010 tables, with the MP-2017 mortality improvement scale	Pub. H-2010 tables, with the MP-2017 mortality improvement scale
Date of experience study		August 2021	August 2021
Discount rate		7.00 %	7.40 %
Change in the discount since prior measurement date		(0.40)%	5.19 %
Source of discount rate		2021 Report on Financial Condition and Economic Experience Study	2019 Report on Financial Condition and Economic Experience Study
Long-term expected rate of return		7.00 %	7.40 %
NPL measurement at discount rate	$	2,782	1,461
NPL discount rate increased 1%		2,391	1,229
NPL discount rate decreased 1%		3,240	1,731

Material assumptions changes during the measurement periods ending June 30, 2022 included updating the discount rate from 7.40% to 7.00%. Material assumption changes during the measurement period ending June 30, 2021 included updating the discount rate from 2.21% to 7.40%. The source for the discount rate changed 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. Additionally, actual returns for

CREF investments, which are used in determining a member's "assumed income," were significantly lower than expected for the measurement periods ending June 30, 2022, but were significantly higher than expected for the period ending June 30, 2021 (reflected as "Difference between expected and actual experience" in the Schedule of Changes in the UWSRP Liability).

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Fixed income	20.00 %	2.20 %
Tangible assets	7.00	5.10
Real estate	18.00	5.80
Global equity	32.00	6.30
Private equity	23.00	9.30

(vi) Deferred Inflows and Outflows of Resources

The tables below summarize ICA's deferred outflows and inflows of resources related to the UWSRP as of June 30, 2022 and 2021, together with the related future year impacts to pension expense from amortization of those deferred amounts:

		2022	2021
		(Dollars in thousands)	
Deferred outflows of resources:			
Difference between expected and actual experience	$	1,623	1,007
Change in assumptions		1,566	1,490
Change in proportion		662	497
Total	$	3,851	2,994

		2022	2021
		(Dollars in thousands)	
Deferred inflows of resources:			
Difference between expected and actual experience	$	3,794	4,221
Change in assumptions		2,207	2,440
Net difference between projected and actual earnings plan investments		64	162
Change in proportion		—	525
Total	$	6,065	7,348

		UWSRP
		(Dollars in thousands)
Amortization of deferred inflows of resources (a):		
Year:		
2023	$	(557)
2024		(557)
2025		(385)
2026		(266)
2027		(702)
Thereafter		253
Total	$	(2,214)

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

(10) Other Post-Employment Benefits (OPEB)

(a) Plan Description

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

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

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

The explicit subsidy, permitted under RCW 41.05.085, is a set dollar amount which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy 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 2022 and 2021.

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

The table below shows the ICA's PEBB membership data as of June 30, 2022 and 2021:

	2022 (measurement date 2021)	**2021 (measurement date 2020)**
Active employees	250	273
Inactive employees receiving benefits	69	75
Inactive employees entitled to, but not receiving, benefits	12	13

(b) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that OPEB obligations will have on ICA. The professional judgments used by the Washington State 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, 2022 and 2021:

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

(Dollars in thousands)

	June 30, 2022	June 30, 2021
Inflation	2.75 %	2.75 %
Healthcare cost trend rate	Initial rate ranges from about 2 to 11%, reaching an ultimate rate of approximately 4.30% in 2075.	Initial rate ranges from about 2 to 11%, reaching an ultimate rate of approximately 4.30% in 2075.
Salary increase	3.50%, including Service-Based Salary Increases	3.5%, including Service-Based Salary Increases
Source of mortality assumptions	Society of Actuaries' Pub.H-2010 mortality rates, with application of the long-term MP-2017 generational improvement scale, and updated based on results of the 2013–2018 Demographic Experience Study Report and the 2019 Report on Financial Condition and Economic Experience Study.	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	2013–2018 Experience Study Report
Discount rate	2.16 %	2.21 %
Source of discount rate	Bond Buyer General Obligation 20-Bond Municipal Bond Index as of June 30, 2021 (Measurement Date)	Bond Buyer General Obligation 20-Bond Municipal Bond Index as of June 30, 2020 (Measurement Date)
Post-Retirement Participant Percentage	65 %	65 %
TOL measurement at discount rate	$ 12,545	12,666
TOL discount rate increased 1%	10,482	10,587
TOL discount rate decreased 1%	15,200	15,335
TOL measurement at healthcare cost trend rate	12,545	12,666
TOL healthcare cost trend rate increased 1%	15,821	15,809
TOL healthcare cost trend rate decreased 1%	10,121	10,321

Material assumption changes during the measurement period ending June 30, 2021 include updating the discount rate, as required by GASB 75. Material assumption changes during the measurement period ending June 30, 2020 include updating the discount rate, updating the forecasts of healthcare cost trend rate, and the mortality assumptions, as required by GASB 75.

(c) Changes in the Total OPEB Liability

The TOL for the state of Washington as of June 30, 2022 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021. The TOL for the state of Washington as of June 30, 2021 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020. The measurement date for the TOL as of June 30, 2021 was the same as the valuation dates. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as ICA. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine ICA's proportionate share of the University's TOL is the relationship of ICA's active, healthcare-eligible employee headcount to the corresponding University total. ICA's proportionate share percentage was 0.674% in 2022 and 0.747% in 2021.

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)

		June 30	
		2022	**2021**
Beginning balance	$	12,666	12,271
Service cost		627	526
Interest		271	440
Difference between expected and actual experience		—	(67)
Change in assumptions		116	285
Benefit payments		(206)	(209)
Changes in proportionate share		308	(132)
Other		(1,237)	(448)
Ending balance	$	12,545	12,666

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

The tables below summarize ICA's OPEB expense, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, together with the related future year impacts to 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.

		2022	2021
		(Dollars in thousands)	
Proportionate share of OPEB expense	$	656	202
Deferred outflows of resources:			
Differences between expected and actual experience in the measurement of the total OPEB liability		215	278
Changes in assumptions		799	871
University contributions subsequent to the measurement date of the collective total OPEB liability		207	223
Changes in proportion		(585)	592
Total	$	636	1,964
Deferred inflows of resources:			
Differences between expected and actual experience in the measurement of the total OPEB liability	$	49	60
Change in assumptions		2,274	2,987
Change in Proportion		106	141
Total	$	2,429	3,188

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:		
2023	$	(222)
2024		(222)
2025		(222)
2026		(222)
2027		(222)
Thereafter		(890)
Total	$	(2,000)

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

(11) Leases

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 $1.4 million as of June 30, 2022, and 2021.

(Continued)

Future minimum lease payments to be received under lessor agreements as of June 30, 2022 are as follows:

Year		Principal	Interest	Total
2023	$	455,431	568,658	1,024,089
2024		547,721	553,950	1,101,671
2025		583,558	533,630	1,117,188
2026		603,110	514,078	1,117,188
2027		623,316	493,872	1,117,188
2028-2032		3,441,661	2,144,279	5,585,940
2033-2037		4,439,783	1,503,037	5,942,820
2038-2042		5,360,896	690,539	6,051,435
2043		1,383,272	28,730	1,412,002
Total	$	17,438,748	7,030,773	24,469,521

(12) 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 2022 through 2027 that provide for certain salary guarantees and commitments. The annual salary payments will be funded through the Department. At June 30, 2022, the total commitment for all contracts for each the next five years and in the aggregate is as follows:

		Guaranteed amount
Year ending June 30:		
2023	$	25,115,326
2024		16,079,999
2025		9,725,914
2026		7,187,317
2027		4,972,207
Thereafter		2,158,400
	$	65,239,163

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Schedules of Required Supplementary Information

June 30, 2022

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)

	2022	2021	2020	2019	2018	2017	2016	2015
Intercollegiate Athletics' proportion of the net pension liability	0.040 %	0.040 %	0.050 %	0.040 %	0.050 %	0.047 %	0.051 %	0.051 %
Intercollegiate Athletics' proportionate share of the net pension liability	$ 487	1,544	1,789	1,983	2,166	2,501	2,645	254
Intercollegiate Athletics' covered payroll	6,081	6,570	6,043	5,819	5,643	5,429	5,625	5,385
Intercollegiate Athletics' proportionate share of the net pension liability as a percentage of covered payroll	8.00 %	23.50 %	29.61 %	34.09 %	38.38 %	46.01 %	47.02 %	47.30 %
Plan fiduciary net position as a percentage of the total pension liability	88.74 %	68.64 %	67.12 %	63.22 %	61.24 %	57.03 %	59.10 %	61.19 %

Schedule of Contributions

(As of current fiscal year-end)

PERS 1

(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 3	3	5	7	9	10	12	12
Contributions in relation to the contractually required contribution	3	3	5	7	9	10	12	12
Contribution deficiency (excess)	—	—	—	—	—	—	—	—
Intercollegiate Athletics' covered payroll	8,290	6,081	6,570	6,043	5,819	5,643	5,429	5,625
Contributions as a percentage of covered payroll	0.03 %	0.05 %	0.08 %	0.11 %	0.15 %	0.17 %	0.22 %	0.22 %

(Continued)

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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)

		2022	2021	2020	2019	2018	2017	2016	2015
Intercollegiate Athletics' proportion of the net pension liability		0.05 %	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %
Intercollegiate Athletics' proportionate share of the net pension (asset) liability	$	(5,068)	712	572	954	1,999	2,854	2,135	1,215
Intercollegiate Athletics' covered payroll		6,085	6,494	6,037	5,795	5,640	5,295	5,302	5,147
Intercollegiate Athletics' proportionate share of the net pension liability as a percentage of covered payroll		(83.29)%	10.97 %	9.48 %	16.46 %	35.44 %	53.90 %	40.27 %	23.61 %
Plan fiduciary net position as a percentage of the total pension liability		102.29 %	97.22 %	97.70 %	95.77 %	90.97 %	85.82 %	89.20 %	93.29 %

Schedule of Contributions

(As of current fiscal year-end)

PERS 2/3

(Dollar amounts in thousands)

		2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$	863	788	835	773	732	631	588	488
Contributions in relation to the contractually required contribution		858	788	835	773	733	631	593	488
Contribution deficiency (excess)		5	—	—	—	(1)	—	(5)	—
Intercollegiate Athletics' covered payroll		8,328	6,085	6,494	6,037	5,795	5,640	5,295	5,302
Contributions as a percentage of covered payroll		10.37 %	12.95 %	12.86 %	12.80 %	12.64 %	11.18 %	11.10 %	9.21 %

(Continued)

Schedule 1

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Schedule of Changes in Net Pension Liability (NPL)

UW Supplemental Retirement Plan

(Dollars in thousands)

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

(Continued)

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Schedule of Contributions

(Amounts determined as of the fiscal year-end)

UW Supplemental Retirement Plan

(Dollar amounts in thousands)

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

Schedule 1

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Schedule of Changes in Total Pension Liability (TPL)

UW Supplemental Retirement Plan

(Dollars in thousands)

		2020	2019	2018	2017
Total pension liability – beginning	$	7,539	4,952	5,112	5,503
Service cost		211	150	178	232
Interest on TPL		268	207	194	176
Difference between expected and actual experience		396	1,303	(408)	(873)
Change in assumptions		1,599	739	(205)	(333)
Change in proportion		(47)	283	155	467
Benefit payments		(105)	(95)	(74)	(60)
Net change in total pension liability		2,322	2,587	(160)	(391)
Total pension liability – ending (a)	$	9,861	7,539	4,952	5,112
The Department's UWSRP covered payroll (1)	$	9,392	9,392	9,392	9,392
Total pension liability as percentage of covered payroll		105.00 %	75.44 %	54.30 %	54.80 %

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

(Continued)

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Schedules of Required Supplementary Information

June 30, 2022

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Schedule of Changes in Total OPEB Liability

(Dollars in thousands)

		2022	2021	2020	2019	2018
Total OPEB liability – beginning	$	12,666	12,271	11,070	11,730	12,601
Service cost		627	526	497	692	795
Interest on TOL		271	440	430	476	372
Difference between expected and actual experience		—	(67)	—	434	—
Change in assumptions		116	285	803	(3,030)	(1,817)
Change in proportionate share		308	(132)	(332)	969	(31)
Benefit payments		(206)	(209)	(197)	(201)	(190)
Other		(1,237)	(448)	—	—	—
Total OPEB liability – ending	$	12,545	12,666	12,271	11,070	11,730
OPEB covered payroll	$	20,845	21,624	21,689	20,388	18,954
Total OPEB liability as percentage of covered payroll		60.18 %	58.57 %	56.58 %	54.29 %	61.88 %

Plans Administered by DRS

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

Additional Considerations on ADC for All Plans:

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

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

Plans Administered by the University

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

Covered payroll for the fiscal year ending June 30, 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.

Material assumption changes during the fiscal year 2022 measurement period includes updating the discount rate from 7.40% to 7.00% ("Change in assumption" which increased the TPL). In addition, CREF investment experience during fiscal year 2022 was significantly lower than expected ("Difference between expected and actual experience" which also increased the TPL).

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

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 2022 measurement period relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 2.21% for the June 30, 2020 measurement date, to 2.16% for the June 30, 2021 measurement date. This change resulted in an increase in the TOL.

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

Schedule 2

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Operating and Other Revenue by Specific Function

Year ended June 30, 2022

	Men's football	Men's basketball	Women's basketball	Other sports Men's	Other sports Women's	Administration and other	Total
Gate ticket sales revenue:							
Ticket sales for home events	$ 26,695,170	1,833,133	250,346	305,485	740,147	—	29,824,281
Admission taxes	(1,271,258)	(87,244)	(11,899)	(14,575)	(35,318)	—	(1,420,294)
Ticket-processing fees	726,776	48,864	2,400	1,370	15,393	—	794,803
	26,150,688	1,794,753	240,847	292,280	720,222	—	29,198,790
Seat-related gifts	17,669,172	2,600,981	42,317	—	—	—	20,312,470
University's share of gate revenue for away games	1,000,000	148,500	—	—	—	—	1,148,500
Total gate ticket sales revenue	44,819,860	4,544,234	283,164	292,280	720,222	—	50,659,760
NCAA/conference distributions:							
PAC-12 television share	20,764,774	3,633,225	—	—	—	—	24,397,999
PAC-12 Rose/other bowl shares	8,174,647	—	—	—	—	—	8,174,647
Bowl participation	—	—	—	—	—	—	—
NCAA MBB tournament	—	1,506,453	—	—	—	—	1,506,453
Football Pac-12 Championship Game	97,250	—	—	—	—	—	97,250
MBB PAC-12 tournament	—	—	—	—	—	—	—
Pac-12 Network share	3,065,312	540,938	—	—	—	—	3,606,250
Other	—	—	—	—	—	2,160,861	2,160,861
Total NCAA/conference distributions	32,101,983	5,680,616	—	—	—	2,160,861	39,943,460
Royalties, advertisements, and sponsorships:							
Sponsorships	—	—	—	48,051	45,555	13,919,257	14,012,863
Donated advertising	—	—	—	—	—	—	—
Trademarks and licensing	—	—	—	—	—	967,127	967,127
Donated supplies	1,691,000	321,000	268,000	919,200	1,158,800	842,000	5,200,000
Total royalties, advertisements, and sponsorships	1,691,000	321,000	268,000	967,251	1,204,355	15,728,384	20,179,990
Contributions	1,490,662	143,776	161,968	1,359,147	1,184,846	3,384,141	7,724,540
Capital gifts	—	—	—	—	—	13,045,229	13,045,229
Gifts to permanent endowments	—	—	—	—	—	1,793,678	1,793,678
Loss on investments	—	—	—	—	—	(12,135,482)	(12,135,482)
Investment income, net	—	—	—	—	—	4,080,279	4,080,279
University funded tuition waivers	—	—	—	—	—	4,657,999	4,657,999
Concessions, souvenirs, parking, and boat moorage	2,871,707	166,627	23,291	22,413	42,814	545,206	3,672,058
Facility income	—	—	—	—	—	1,289,822	1,289,822
Higher Education Emergency Relief Fund (HEERF II)	—	—	—	—	—	425,000	425,000
University Support	—	—	—	—	—	10,000,000	10,000,000
Coaches contract Settlement	500,004	—	—	—	—	—	500,004
Lease revenue	—	—	—	—	—	792,321	792,321
Lease interest income	—	—	—	—	—	582,267	582,267
Capital grant, gifts, and other	—	—	—	—	—	—	—
Other	30,208	—	—	203,265	94,392	349,499	677,364
Total revenue	$ 83,505,424	10,856,253	736,423	2,844,356	3,246,629	46,699,204	147,888,289

See accompanying independent auditors' report.

Schedule 2

UNIVERSITY OF WASHINGTON
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Schedules of Operating and Other Revenue by Specific Function

Year ended June 30, 2021

	Men's football	Men's basketball	Women's basketball	Other sports Men's	Other sports Women's	Administration and other	Total
Gate ticket sales revenue:							
Ticket sales for home events	$ —	—	—	1,940	23,298	—	25,238
Admission taxes	—	—	—	(95)	(1,109)	—	(1,204)
Ticket-processing fees	—	—	—	—	—	—	—
	—	—	—	1,845	22,189	—	24,034
Seat-related gifts	8,219,587	1,000	—	—	—	—	8,220,587
University's share of gate revenue for away games	—	—	—	—	5,000	—	5,000
Total gate ticket sales revenue	8,219,587	1,000	—	1,845	27,189	—	8,249,621
NCAA/conference distributions:							
PAC-12 television share	14,465,867	2,552,800	—	—	—	—	17,018,667
PAC-12 Rose/other bowl shares	3,764,763	—	—	—	—	—	3,764,763
Bowl participation	—	—	—	—	—	—	—
NCAA MBB tournament	—	1,276,583	—	—	—	—	1,276,583
Football Pac-12 Championship Game	(389,333)	—	—	—	—	—	(389,333)
MBB PAC-12 tournament	—	—	—	—	—	—	—
Pac-12 Network share	(252,592)	(44,575)	—	—	—	—	(297,167)
Other	—	—	—	—	—	1,998,648	1,998,648
Total NCAA/conference distributions	17,588,705	3,784,808	—	—	—	1,998,648	23,372,161
Royalties, advertisements, and sponsorships:							
Sponsorships	—	—	—	25,000	15,000	9,594,970	9,634,970
Donated advertising	—	—	—	—	—	—	—
Trademarks and licensing	—	—	—	—	—	597,107	597,107
Donated supplies	1,657,000	315,000	263,000	911,850	1,125,150	828,000	5,100,000
Total royalties, advertisements, and sponsorships	1,657,000	315,000	263,000	936,850	1,140,150	11,020,077	15,332,077
Contributions	—	—	—	90,868	—	24,419,540	24,510,408
Capital gifts	—	—	—	—	—	6,205,670	6,205,670
Gifts to permanent endowments	—	—	—	—	—	3,060,376	3,060,376
Gain on investments	—	—	—	—	—	30,999,863	30,999,863
Investment income, net	—	—	—	—	—	3,896,581	3,896,581
University funded tuition waivers	—	—	—	—	—	4,500,799	4,500,799
Concessions, souvenirs, parking, and boat moorage	4,361	—	—	—	1,285	213,105	218,751
Facility income	—	—	—	—	—	1,236,117	1,236,117
Higher Education Emergency Relief Fund (HEERF II)	—	—	—	—	—	2,000,000	2,000,000
Capital grant, gifts, and other	—	—	—	—	—	768,880	768,880
Other	11,326	—	—	8,100	9,900	85,975	115,301
Total revenue	$ 27,480,979	4,100,808	263,000	1,037,663	1,178,524	90,405,631	124,466,605

See accompanying independent auditors' report.

Schedule 3

UNIVERSITY OF WASHINGTON
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Schedules of Operating Expenses and Other Deductions by Specific Function

Year ended June 30, 2022

	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	$ 27,158,447	4,433,377	1,707,017	3,805,690	3,798,596	—	13,470,514	2,172,759	—	56,546,400
Payroll taxes and employee benefits	886,976	854,623	429,853	810,307	1,006,471	—	307,845	691,816	—	4,987,891
Athletic student aid	4,363,805	585,262	865,175	3,021,413	6,072,872	—	1,163,231	—	15,667	16,087,425
Guarantees paid to visiting teams	2,425,000	523,500	91,055	70,415	31,500	—	—	—	—	3,141,470
Team travel	1,677,104	1,042,580	536,648	1,310,862	1,871,478	690,205	137,898	—	—	7,266,775
Day of game expenses	2,666,957	536,006	237,903	240,302	334,251	24,573	646,098	1,133,080	3,893,228	9,712,398
Direct facilities, maintenance, and utilities	176,959	—	—	54,242	64,670	—	3,328,817	1,551,678	—	5,176,366
Uniforms and supplies	1,179,520	105,847	77,262	463,648	422,250	47,227	3,060,417	310,174	—	5,666,345
Donated supplies	1,691,000	321,000	268,000	919,200	1,158,800	—	842,000	—	11,364	5,211,364
Medical expenses	14,566	1,220	3,212	28,217	38,966	—	1,656,454	—	1,569	1,744,204
Fundraising, marketing, and promotions	—	—	—	—	727	—	225,637	—	—	226,364
Recruiting	—	—	—	—	—	—	—	—	1,259,439	1,259,439
Equipment	—	—	—	—	—	—	—	1,285	—	1,285
Training table	2,161,364	353,894	60,315	243,214	321,382	—	414,859	—	928,030	4,483,058
Department relations	49,385	1,428	498	40,087	28,189	—	88,860	1,908	575,421	785,776
Banquets and special events	—	1,360	—	113,250	28,831	—	252,994	—	120,498	516,933
Depreciation	—	—	—	—	—	—	15,721,990	—	—	15,721,990
Noncapitalized equipment and repairs	—	—	—	—	—	—	—	1,845,271	—	1,845,271
Other	1,307,464	279,827	281,483	894,154	788,364	4,794	5,813,735	29,318	4,285,746	13,684,885
Total operating expenses	45,758,547	9,039,924	4,558,421	12,015,001	15,967,347	766,799	47,131,349	7,737,289	11,090,962	154,065,639
Other deductions:										
Gain on disposal of capital assets	—	—	—	—	—	—	—	(23,500)	—	(23,500)
Interest expense	—	—	—	—	—	—	10,136,804	—	—	10,136,804
Total other deductions	—	—	—	—	—	—	10,136,804	(23,500)	—	10,113,304
Total operating expenses and other deductions	$ 45,758,547	9,039,924	4,558,421	12,015,001	15,967,347	766,799	57,268,153	7,713,789	11,090,962	164,178,943

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, 2021

	Men's football	Men's basketball	Women's basketball	Other sports Men's	Other sports Women's	Postseason activity	Administration	Facilities maintenance and event management	Department relations and visiting recruits	Total
Operating expenses:										
Salaries and wages	$ 9,127,255	4,156,157	2,318,353	2,924,214	3,600,806	—	11,220,114	1,780,621	—	35,127,520
Payroll taxes and employee benefits	2,052,784	830,198	270,509	786,637	955,057	—	1,658,895	636,702	—	7,190,782
Athletic student aid	4,401,713	572,601	672,595	3,233,117	5,651,002	—	1,051,020	—	—	15,582,048
Guarantees paid to visiting teams	—	225,000	47,000	45,000	3,000	—	—	—	—	320,000
Team travel	245,654	592,150	319,033	675,603	1,041,723	455,225	4,832	2,644	12,456	3,349,320
Day of game expenses	505,878	189,078	104,764	173,845	208,599	—	289,040	304,445	278,595	2,054,244
Direct facilities, maintenance, and utilities	17,154	—	—	19,217	21,832	—	2,962,930	1,101,246	—	4,122,379
Uniforms and supplies	579,315	55,786	65,650	212,160	185,031	—	461,003	242,562	—	1,801,507
Donated supplies	1,657,000	315,000	263,000	911,850	1,125,150	—	828,000	—	—	5,100,000
Medical expenses	13,385	675	3,620	26,046	31,833	—	1,810,733	—	25	1,886,317
Fundraising, marketing, and promotions	—	—	—	—	—	—	30,930	—	—	30,930
Recruiting	—	—	—	—	—	—	—	—	142,372	142,372
Training table	1,521,705	183,967	18,559	109,802	161,648	—	221,439	—	714,791	2,931,911
Department relations	9,465	—	—	—	—	—	2,124	—	257,797	269,386
Banquets and special events	—	—	—	—	—	—	23,652	—	10,831	34,483
Depreciation	—	—	—	—	—	—	15,438,292	—	—	15,438,292
Noncapitalized equipment and repairs	—	—	—	—	—	—	—	295,534	—	295,534
Other	500,845	106,304	80,531	120,315	165,045	5,149	4,066,182	19,785	1,143,241	6,207,397
Total operating expenses	20,632,153	7,226,916	4,163,614	9,237,806	13,150,726	460,374	40,069,186	4,383,539	2,560,108	101,884,422
Other deductions:										
Interest expense	—	—	—	—	—	—	10,250,360	—	—	10,250,360
Total other deductions	—	—	—	—	—	—	10,250,360	—	—	10,250,360
Total operating expenses and other deductions	$ 20,632,153	7,226,916	4,163,614	9,237,806	13,150,726	460,374	50,319,546	4,383,539	2,560,108	112,134,782

See accompanying independent auditors' report.

UW MEDICINE SELECT UNITS – UW DIVISION

Basic Financial Statements

June 30, 2022 and 2021

(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:

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements for the years 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, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

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, 2022 or 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in note 2, in fiscal year 2022, the Group adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. 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 21 and the schedules of required supplementary information on pages 80 through 85 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Group's basic financial statements. The combining statements of net position and combining statements 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 14, 2022

The following discussion and analysis provides an overview of the financial position and activities of the UW Medicine Select Units – UW Division (the Group) for the years ended June 30, 2022 and 2021. 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 Neighborhood Clinics (Neighborhood Clinics), The Association of University Physicians dba UW Physicians (UWP), Airlift Northwest (Airlift), and shared service departments that support the entire UW Medicine enterprise. 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: statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. These financial statements and related notes provide information about the activities of the Group, including resources held by the Group but restricted for specific purposes by contributors, grantors, or enabling legislation.

The statements of net position include all of the Group's assets and liabilities using the accrual basis of accounting as well as an indication about which assets can be used for general purposes and which are designated for a specific purpose. The statements of net position also include information to evaluate the capital structure of the Group, and assess the liquidity and financial flexibility of the organization.

The statements of revenues, expenses, and changes in net position report all revenues, expenses, and other activity affecting net position during the time period indicated. Net position, the difference between assets and liabilities, is one way to measure the financial health of the Group and whether the organization has been able to recover all costs through net patient service revenues and other revenue sources.

The statements of cash flows report the cash provided by the Group's operating activities, as well as other cash sources, such as investment income, cash payments for capital additions and improvements, and payments for debt service, interest payments, and funding to and from affiliates. The statements provide meaningful information on where the Group's cash was generated and what it was used for.

Results of Operations

For the fiscal year ended 2022, the Group experienced high admissions, occupancy, and length of stay. The Group has focused on maintaining appropriate staffing levels, but experienced increased labor costs due to staffing shortages, high volumes, and the need to incur additional contract labor costs. These factors created significant pressure on the Group's operating expenses during the year.

(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 (loss) 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, 2022, 2021, and 2020 the Group's total income (loss) before capital appropriations and other were $27.4 million, $120.6 million and $(43.1) million, respectively.

		2022	2021	2020
Income (loss) before capital appropriations and other	$	172.9	173.3	(6.9)
Adjustment for net pension and other postemployment benefit actuarial and assumption changes		(145.5)	(52.7)	(36.2)
Adjusted income (loss) before capital appropriations and other	$	27.4	120.6	(43.1)

The Group reported income from operations of $56.5 million and an increase in net position of $229.2 million for the year ended June 30, 2022 compared to income from operations of $49.7 million and an increase in net position of $203.5 million for the year ended June 30, 2021. The increase in net position in fiscal year 2022 is attributed to a $144.5 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, specifically an increase in utilization of contract labor driven by shortages in permanent staff and high admissions.

The Group reported income from operations of $49.7 million and an increase in net position of $203.5 million for the year ended June 30, 2021 compared to a loss from operations of $88.5 million and a decrease in net position of $0.8 million for the year ended June 30, 2020. The increase in net position in fiscal year 2021 is attributed to strong volumes and an increase in contract pharmacy revenues. Additionally, the Group experienced an increase in nonoperating revenues due to equity earnings from Seattle Cancer Care Alliance, state appropriations, and receipt and recognition of provider relief funds. In fiscal year 2021, operating income includes a $52.5 million reduction in operating expenses as a result of adjustments related to actuarial and assumption changes to pension and other postretirement obligations.

The novel coronavirus (COVID-19) was identified in China in December 2019 and the first case in Washington State was discovered in January 2020. COVID-19 has spread globally creating a pandemic, which has significantly impacted the economic conditions at a local, national, and international level. On February 29, 2020, the governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address coronavirus in Washington and the forecasted potential surge of COVID-19 patients. On March 13, 2020, President Trump declared a national state of emergency with respect to the COVID-19 outbreak, ordering all states to establish emergency operations and authorizing the use of federal funds. Both the national state of emergency and Washington state of emergency continued through fiscal year 2022. COVID-19 cases fluctuated throughout the fiscal year and the Group experienced COVID-19 surges. In response to the many COVID-19 surges, the Group cancelled or postponed certain inpatient non-emergent and elective procedures in order to preserve inpatient capacity. In fiscal years 2022 and 2021, the Group received

(Continued)

(Dollar amounts in millions)

governmental funding through the Coronavirus Aid, Relief and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA) of $15.2 million and $34.6 million, respectively, to aid in the recovery of lost revenues and has also received donations and other funds to provide care and vaccinations to the community. Additionally, in fiscal year 2021, UW Medical Center was awarded a one-time state appropriation of $35.0 million to partially cover lost revenues from the COVID-19 pandemic that were not recovered by other funding.

		2022	2021	2020
Operating revenues:				
Net patient service revenues	$	1,883.1	1,777.4	1,633.5
UWP billing revenues, net		391.8	367.0	326.4
Other revenue		286.5	321.7	279.6
Total operating revenues		2,561.4	2,466.1	2,239.5
Operating expenses:				
Salaries, wages, and benefits		1,300.2	1,237.8	1,234.2
Other		1,204.7	1,178.6	1,093.8
Total operating expenses		2,504.9	2,416.4	2,328.0
Income (loss) from operations		56.5	49.7	(88.5)
Nonoperating revenues (expenses):				
Investment income, net		2.7	2.7	2.4
Interest expense		(26.6)	(25.3)	(17.9)
Federal stimulus funding		15.2	34.6	65.6
Other, net		125.1	111.6	31.5
Nonoperating revenues, net		116.4	123.6	81.6
Income (loss) before capital appropriations and other		172.9	173.3	(6.9)
Capital appropriations and other		56.3	30.2	6.1
Increase (decrease) in net position		229.2	203.5	(0.8)
Net position, beginning of year		325.0	121.5	122.3
Net position, end of year	$	554.2	325.0	121.5

(Dollar amounts in millions)

The following chart represents key statistics of the Group for June 30, 2022, 2021, and 2020:

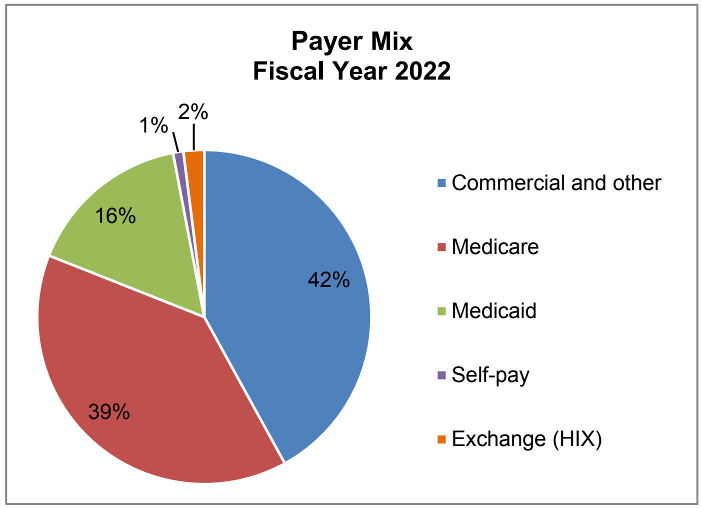
	2022	2021	2020
Licensed beds	810	810	810
Admissions	27,583	27,320	26,998
Patient days	202,070	185,389	178,545
Average length of stay	7.33	6.79	6.61
Case mix index (CMI)	2.21	2.15	2.19
Surgery cases	27,248	28,626	25,557
Emergency room visits	61,146	55,781	56,895
Primary and urgent care clinic visits	350,606	329,662	383,434
Specialty care clinic visits	451,952	418,389	421,879
Births	3,692	3,314	3,071
Solid organ transplants	411	489	400
Relative Value Units (RVU) volume	10,523,138	9,113,765	7,627,420
Airlift flights	4,286	3,422	3,145
Full-time equivalents (FTEs)	8,868	8,512	8,491

Operating Revenues

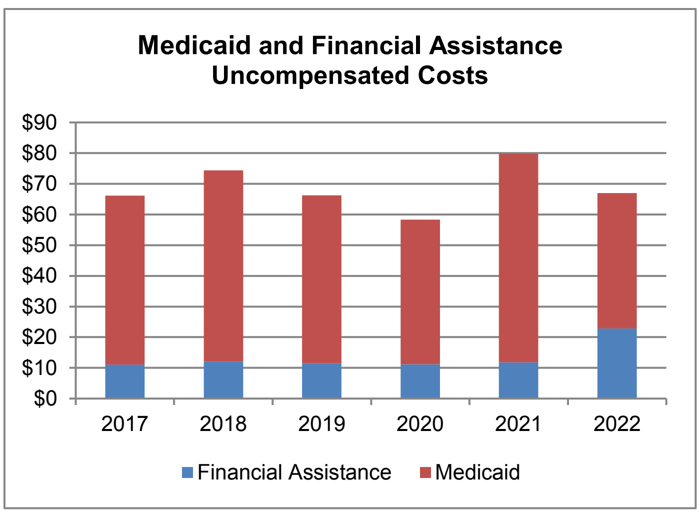
Operating revenues consist primarily of net patient service revenues, UWP billing revenues, net, and other revenue. Net patient service revenues are recorded based on standard billing charges less contractual adjustments, financial assistance, and provision for uncollectible accounts. The Group has agreements 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 patient responsibility accounts receivable that will become uncollectible, which is reported as a reduction of net patient service revenues. The difference between gross charges and the estimated net realizable amounts from payers and patients is recorded as an adjustment to charges. The resulting net patient service revenues are shown in the statements of revenues, expenses, and changes in net position.

Net patient service revenues include inpatient, outpatient, and flight revenues. Outpatient revenue consists of hospital-based, ambulatory, and retail pharmacy revenues. UWP billing revenues are limited to its operating expenses based on the operating agreement between the University and UWP. Other revenue is comprised of revenues from activities such as contract pharmacy, parking, and cafeteria sales.

The Group's payer mix is a key factor in the overall financial operating performance. The chart to the right illustrates payer mix for fiscal year 2022 gross patient service revenue. For the years ended June 30, 2022 and 2021, commercial revenue represented 42% and 43%, respectively; Medicare revenue represented 39% and 37%, respectively; Medicaid revenue represented 16% and 17%, respectively; exchange revenue represented 2% for both years; and self-pay revenue represented 1% for both years.



Uncompensated care costs, as illustrated in the chart below, represent costs in excess of payments for Medicaid and financial assistance patients. This chart represents UW Medical Center and does not include all uncompensated costs such as providing care to Medicare patients. Over the past several years, the cost of providing financial assistance care to patients has increased.

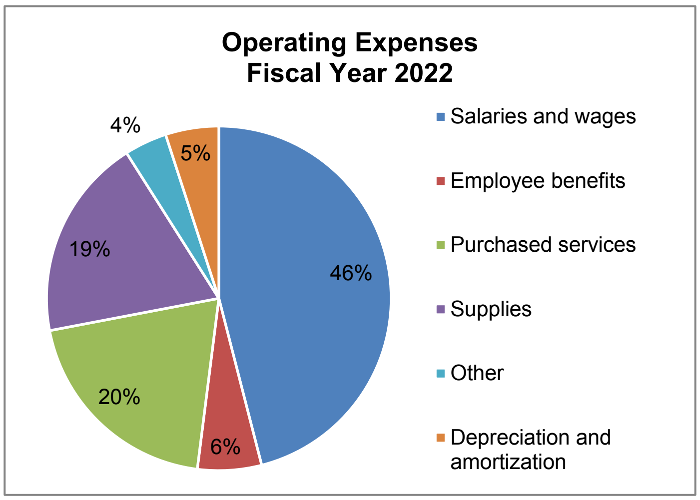


Reimbursement from governmental payers is less than commercial rates. Reimbursement rules are both complex and subject to interpretation and settlements.

For the years ended June 30, 2022, 2021, and 2020 the Group's total operating revenues were $2,561.4 million, $2,466.1 million, and $2,239.5 million, which was comprised of $1,883.1 million, $1,777.4 million, and $1,633.5 million in net patient service revenues, $391.8 million, $367.0 million, and $326.4 million in UWP billing revenues, net, and $286.5 million, $321.7 million, and $279.6 million in other revenues, respectively.

The increase in operating revenues between fiscal years 2021 and 2022 of 3.9% was driven by a 5.9% increase in net patient service revenues due to higher length of stay and case mix acuity. UWP billing revenues, net increased 6.8% between fiscal year 2021 and 2022 due to higher volumes.

The increase in operating revenues between fiscal years 2020 and 2021 of 10.1% was driven by an 8.8% increase in net patient service revenues due to an increase in volumes. UWP billing revenues, net and other revenues increased 13.7% between fiscal years 2020 and 2021 due to higher contract pharmacy revenue and an increase in professional fee revenue due to having a full fiscal year's worth of activity related to new providers at UW Medical Center's Northwest campus. Both net patient services revenues and UWP billing revenues increased as the mandatory cancellation of non-emergent and elective procedures did not occur in fiscal year 2021.



Operating Expenses

Operating expenses were $2,504.9 million for the fiscal year 2022 compared to $2,416.4 million for the fiscal year 2021 and $2,328.0 million for fiscal year 2020. The composition of fiscal year 2022 operating expenses is illustrated in the chart to the left.

Salaries and wages expense increased $152.1 million from $999.5 million in fiscal year 2021 to $1,151.6 million in fiscal year 2022. The increase in salaries and wages expense was primarily attributed to additional staffing needs due to an increase in volumes and increasing labor costs in the market.

Salaries and wages expense increased $17.4 million from $982.1 million in fiscal year 2020 to $999.5 million in fiscal year 2021. The increase in salaries and wages expense was primarily attributed to greater FTEs and higher contract labor utilization. Contract labor increased as a result of demand nationwide associated with COVID-19 and resulting staffing shortage.

Employee benefits expense decreased $89.7 million from $238.3 million in fiscal year 2021 to $148.6 million in fiscal year 2022. Between fiscal year 2021 and fiscal year 2022, the decrease in employee benefits expense is the result of change in noncash actuarial and assumption changes to pension obligations driven by the amortization of Public Employees' Retirement System (PERS) deferred inflows associated with better than expected returns and expected earnings on plan investments.

Employee benefits expense decreased $13.8 million from $252.1 million in fiscal year 2020 to $238.3 million in fiscal year 2021. Between fiscal year 2020 and fiscal year 2021, the University benefit load rate for classified and professional employees decreased because of reduced healthcare expenses and employer pension contributions.

Purchased services expense, consisting of professional fees, consulting fees, and clinical department funding, increased $19.2 million from $494.1 million in fiscal year 2021 to $513.3 million in fiscal year 2022. The increase in purchased services expense is attributed to an increase in the School clinical department funding, representing fees paid to physicians providing services to the Group but not employed by the Group.

Purchased services expense increased $16.9 million from $477.2 million in fiscal year 2020 to $494.1 million in fiscal year 2021. The increase in purchased services expense is attributed to UWP having 12 months of expense for certain employees who transitioned employment to the University on January 1, 2020. In addition, the increase in purchased services expense was driven by an increase in consulting fees at UW Medicine IT Services due to Destination: One, the implementation of a single electronic health record system, which allowed UW Medicine to improve the experience for its patients as well as to achieve clinical quality, safety and workflow efficiencies through standardization. Destination: One was fully implemented in March 2021.

Supplies expense includes medical and surgical, pharmaceutical, and nonmedical supplies. In total, these expenses increased $9.5 million from $474.8 million in fiscal year 2021 to $484.3 million in fiscal year 2022. Supplies expense was driven by higher surgical supplies, blood, and prosthesis as a result of greater volumes and acuity.

Supplies expense increased $45.3 million from $429.5 million in fiscal year 2020 to $474.8 million in fiscal year 2021. Supplies expense was driven by higher medical supplies and pharmaceutical expense associated with an increase in contract pharmacy and other pharmaceutical costs.

Nonoperating Revenues (Expenses)

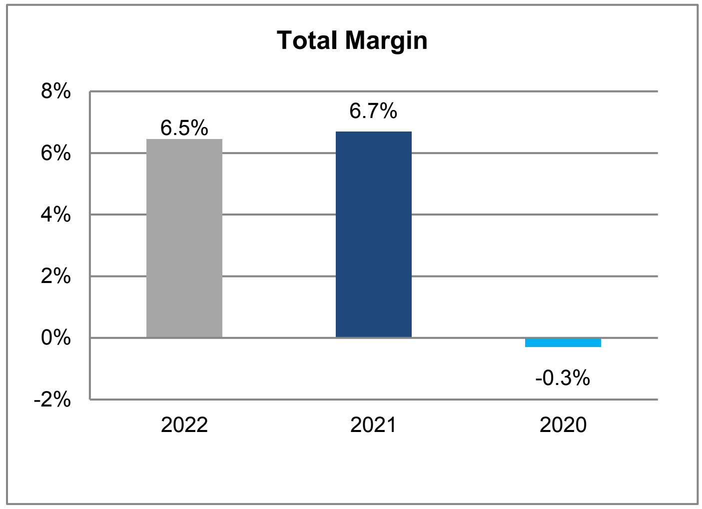
Nonoperating revenues (expenses) consist primarily of investment income, interest expense, intergovernmental transfer expense, equity earnings from the investment in Seattle Cancer Care Alliance (SCCA), funding from and to other UW Medicine entities as well as the state of Washington, state appropriations, hospital safety net funding, and COVID-19 federal stimulus funding. Net nonoperating revenues decreased $7.2 million from $123.6 million in fiscal year 2021 to $116.4 million in fiscal year 2022. Net nonoperating revenues were driven by a decrease in equity earnings from SCCA and receipt of federal stimulus funds offset by an increase in funding from affiliates. In addition, the decrease is attributed to lower state appropriations as in fiscal year 2021, UW Medical Center was awarded a one-time state appropriation of $35.0 million to partially cover lost revenues from the COVID-19 pandemic that were not recovered by other funding.

Net nonoperating revenues increased $42.0 million from $81.6 million in fiscal year 2020 to $123.6 million in fiscal year 2021. Net nonoperating revenues were driven by an increase in state appropriations and equity earnings from SCCA that offset a decrease in federal stimulus funds. In fiscal year 2021, UW Medical Center was awarded a one-time state appropriation of $35.0 million to partially cover lost revenues from the COVID-19 pandemic that were not recovered by other funding. Equity earnings from SCCA were $25.7 million greater than fiscal year 2020, which also contributed to the increase in net nonoperating revenues.

(Dollar amounts in millions)

Total Margin

Total margin or excess margin is a ratio that defines the percentage of total revenue (operating plus nonoperating) that has been realized in the form of net income (income before capital appropriations and other) and is a common measure of total hospital profitability. Total margin for the fiscal years 2022, 2021, and 2020 is illustrated in the chart to the right.



Financial Analysis

Statements of Net Position

The table below is a presentation of certain condensed financial information derived from the Group's statements of net position as of June 30, 2022, 2021, and 2020:

		2022	2021	2020
Current assets	$	628.2	696.6	554.7
Noncurrent assets:				
Capital assets, net of accumulated depreciation		795.9	762.5	727.4
Right-to-use lease assets, net of accumulated amortization		200.6	220.8	-
Funds held by the University of Washington		204.2	246.3	189.3
Investments		149.3	143.5	111.7
Investment in Seattle Cancer Care Alliance		-	259.3	208.4
Investment in Fred Hutchinson Cancer Center		428.8	-	-
Other assets		106.6	99.0	52.7
Net pension assets		475.8	-	-
Total assets		2,989.4	2,428.0	1,844.2
Deferred outflows of resources		321.8	300.7	150.6
Total assets and deferred outflows of resources	$	3,311.2	2,728.7	1,994.8

(Dollar amounts in millions)

		2022	2021	2020
Current liabilities	$	627.8	724.3	582.1
Noncurrent liabilities:				
Other noncurrent liabilities		914.1	830.3	563.0
Net pension liabilities		65.8	176.8	217.4
Other postemployment benefits		462.4	413.7	309.4
Total liabilities		2,070.1	2,145.1	1,671.9
Deferred inflows of resources		686.9	258.6	201.4
Net position		554.2	325.0	121.5
Total liabilities, deferred inflows of resources, and net position	$	3,311.2	2,728.7	1,994.8

Total assets and deferred outflows of resources were $3,311.2 million at June 30, 2022 compared to $2,728.7 million at June 30, 2021 representing an increase of $582.5 million. This increase in total assets is primarily attributed to favorable investment earnings on plan investments of the PERS Plan 2 and Plan 3, which caused the balance to become a net pension asset in fiscal year 2022 as compared to a net pension liability.

Current liabilities decreased $96.5 million from $724.3 million at June 30, 2021 to $627.8 million at June 30, 2022. This decrease is primarily attributed to full recoupment by the Centers for Medicare and Medicaid Services (CMS) of Medicare advanced payments in fiscal year 2022. Noncurrent liabilities increased $21.5 million from $1,420.8 million at June 30, 2021 to $1,442.3 million at June 30, 2022 driven by an increase in long-term debt, net of current portion, and other postemployment benefits (OPEB) liability, offset by a decrease in net pension liabilities.

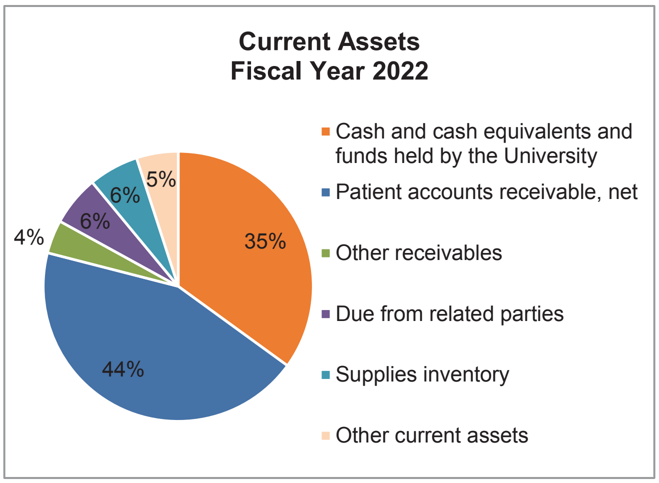
Total assets and deferred outflows of resources were $2,728.7 million at June 30, 2021 compared to $1,994.8 million at June 30, 2020 representing an increase of $733.9 million. This increase is primarily attributed to an increase in patient accounts receivable, an increase in Funds Held by the University of Washington, an increase in the Investment in SCCA, an increase in right-to-use lease assets due to the implementation of GASB Statement No. 87, *Leases*, effective July 1, 2020, and an increase in deferred outflows of resources related to other postemployment benefits.

Current liabilities increased $142.2 million from $582.1 million at June 30, 2020 to $724.3 million at June 30, 2021. This increase is primarily attributed to clinical medical fund and departmental payables, due to related parties and current portion of lease liabilities as a result of the adoption of GASB Statement No. 87, *Leases*. Noncurrent liabilities increased $331.0 million from $1,089.8 million at June 30, 2020 to $1,420.8 million at June 30, 2021 driven by an increase in OPEB liability, long-term debt, net of current portion and long-term lease liabilities as a result of the adoption of GASB Statement No. 87, *Leases*, effective July 1, 2020.

In fiscal year 2022, the Group implemented GASB Statement No. 87, *Leases*. This statement changes the previous classification of lease arrangements as either operating or capital leases and establishes a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. The Group recognized lease liabilities and right-to-use

(Continued)

lease assets, net of accumulated amortization, for arrangements in which it is the lessee and lease receivables and deferred inflows of resources for arrangements where it is the lessor. As a result of this implementation, the Group applied the standard retroactively to the fiscal year beginning July 1, 2020. At July 1, 2020, the Group recognized lease liabilities and right-to-use lease assets of $217.2 million and $210.6 million, respectively, in the statements of net position. In addition, the Group recognized lease receivables, which are recorded within other current assets and other assets, and deferred inflows of resources of $29.5 million and $29.4 million, respectively, in the statements of net position. Further discussion regarding lease activity during the fiscal years can be found in the notes to the financial statements.

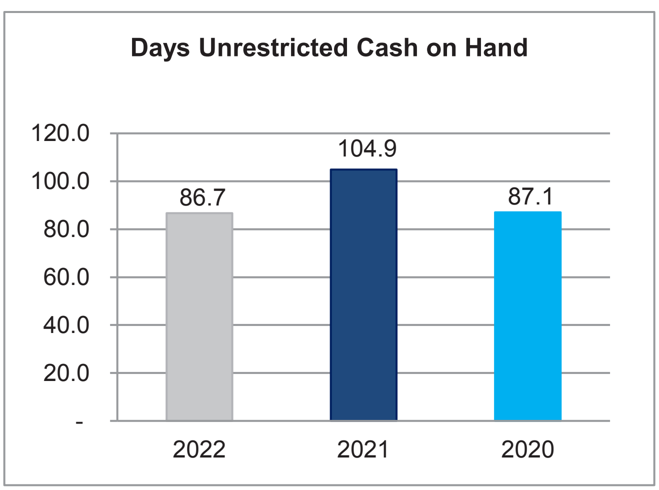


Current Assets

Current assets consist of cash and cash equivalents, and other current assets that are expected to be converted to cash within a year. Current assets also include patient accounts receivable valued at the estimated net realizable amount due from commercial, governmental, and self-pay payers.

Fiscal year 2022 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 decreased $60.1 million from $280.1 million at June 30, 2021 to $220.0 million at June 30, 2022 and increased $42.4 million from $237.7 million at June 30, 2020 to $280.1 million at June 30, 2021.



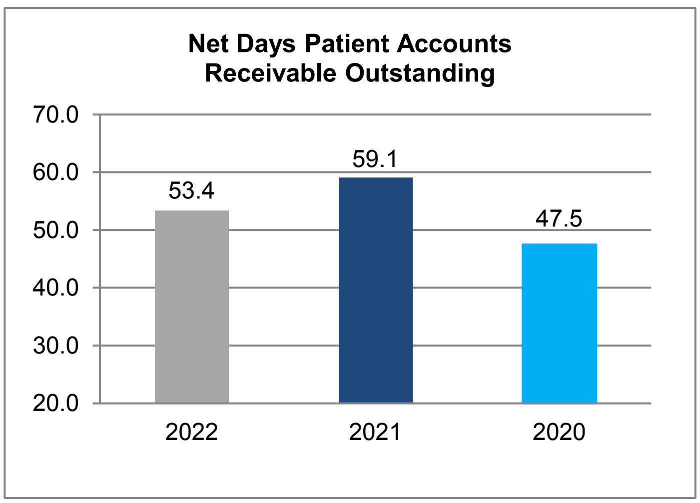
Days unrestricted cash on hand is utilized to evaluate an organization's continuing ability to meet its short-term operating needs. Days unrestricted cash on hand (including funds held by the University and investments, which are classified as noncurrent funds) as of June 30 for fiscal years 2022, 2021, and 2020 are illustrated in the chart to the left.

The Group's total days unrestricted cash on hand decreased 18.2 days from 104.9 days at June 30, 2021 to 86.7 days at June 30, 2022. The decrease is a result of increased operating expenses and the recoupment by CMS of $108.8 million of the Medicare advanced payments. At June 30, 2022, Medicare has recouped all of the Group's Medicare advanced payments.

The Group's total days unrestricted cash on hand increased 17.8 days from 87.1 days at June 30, 2020 to 104.9 days at June 30, 2021. The increase was a result of additional state appropriations and other funding received for COVID-19. At June 30, 2021, Medicare had recouped $16.5 million of the Group's Medicare advanced payments. Excluding the payable balance of Medicare advanced payments at June 30, 2021, days cash on hand would have been 87.9 days.

Net patient accounts receivable were $275.7 million as of June 30, 2022 compared to $287.6 million as of June 30, 2021, a decrease of $11.9 million. The decrease is primarily a result of the timing of payer cash collections.

Net patient accounts receivable were $287.6 million as of June 30, 2021 compared to $212.0 million as of June 30, 2020, an increase of $75.6 million. In fiscal year 2021, fewer non-emergent and elective procedures were cancelled due to COVID-19 surges compared to the prior year, resulting in higher volumes, revenue, and accounts receivable. UW Medicine implemented Destination: One in late March 2021, which led to a temporary delay in billing and collections at the end of fiscal year 2021.



Net days patient accounts receivable outstanding illustrates an organization's ability to convert net patient service revenues to cash. Net days patient accounts receivable outstanding as of June 30 for fiscal years 2022, 2021, and 2020 are illustrated in the chart to the left.

The Group's total net days patient accounts receivable outstanding decreased 5.7 days from 59.1 days at June 30, 2021 to 53.4 days at June 30, 2022. The decrease in net days patient accounts receivable between fiscal years 2022 and 2021 is driven by higher net patient accounts receivable at June 30, 2021 attributed to billing and collection delays due to Destination: One.

The Group's total net days patient accounts receivable outstanding increased 11.6 days from 47.5 days at June 30, 2020 to 59.1 days at June 30, 2021. The increase in net days patient accounts receivable between fiscal years 2021 and 2020 was driven by billing and collection delays due to Destination: One and lower patient accounts receivable in fiscal year 2020 attributed to the cancellation of non-emergent and elective procedures.

As of June 30, 2022 and 2021, 46% and 47% of the gross patient accounts receivable balance were due from commercial payers, governmental payers (Medicare and Medicaid) comprised 49% and 48%, self-pay payers comprised 3% for both years, and exchange comprised 2% for both years.

Due from related parties consists of amounts due for services provided to Harborview, VMC, and the School. Due from related parties decreased $2.9 million from $38.9 million at June 30, 2021 to $36.0 million at June 30, 2022. Due from related parties increased $8.8 million from $30.1 million at June 30, 2020 to $38.9 million at

June 30, 2021. The changes in fiscal years 2022 and 2021 relate to the timing of payments between the Group, Harborview, and the School.

Noncurrent Assets

Capital assets, net of accumulated depreciation increased $33.4 million during fiscal year 2022 from $762.5 million at June 30, 2021 to $795.9 million at June 30, 2022 and increased $35.1 million during fiscal year 2021 from $727.4 million at June 30, 2020 to $762.5 million at June 30, 2021. In fiscal year 2022, the increase is primarily driven by construction of the UW Medical Center Behavioral Health Teaching Facility. In fiscal year 2021, the increase was primarily due to additions of capital assets at UW Medicine IT Services due to the Destination: One project and construction of the UW Medical Center Behavioral Health Teaching Facility.

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

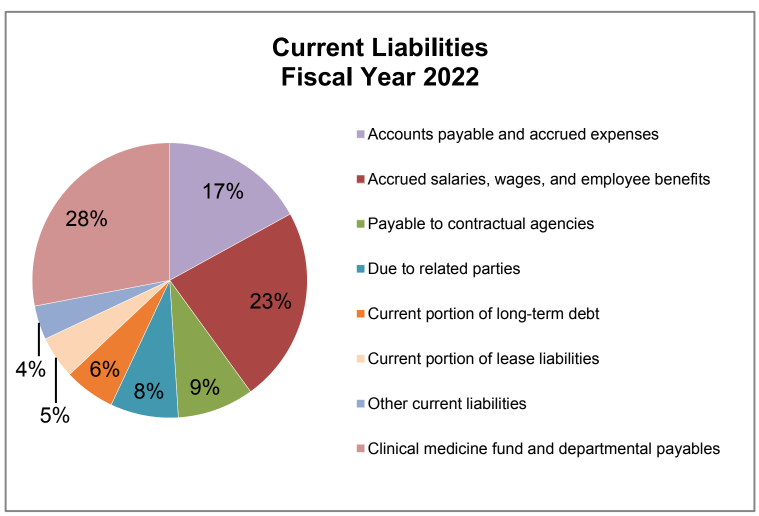
Funds held by the University represent funds invested with the University and are classified as a noncurrent asset by the Group. Through the University's investment program, the Group receives a rate of return. For fiscal years 2022, 2021, and 2020, the University allocated a rate of return of 0.75% on a portion of the Group's invested assets. Noncurrent funds held by the University decreased $42.1 million in fiscal year 2022 from $246.3 million at June 30, 2021 to $204.2 million at June 30, 2022 driven by increased in operating costs, especially the increase in salaries and wages and recoupment by CMS of Medicare advanced payments. Noncurrent funds held by the University increased $57.0 million in fiscal year 2021 from $189.3 million at June 30, 2020 to $246.3 million at June 30, 2021, which was driven by cash received for additional state appropriations, other funding received for COVID-19, and funds transferred from affiliates during the fiscal year.

Investments represents investments held for the benefit of the School. Investments increased $5.8 million from $143.5 million at June 30, 2021 to $149.3 million at June 30, 2022. The increase in investments was a result of transferring cash to investments, which offset negative investment portfolio performance during the year.

Investments increased $31.8 million from $111.7 million at June 30, 2020 to $143.5 million at June 30, 2021. The increase in investments was a result of positive investment portfolio performance during fiscal year 2021.

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 $627.8 million, $724.3 million, and $582.1 million at June 30, 2022, 2021, and 2020, respectively. Fiscal year 2022 composition of current liabilities is illustrated in the chart to the right.



Accounts payable and accrued expenses increased $5.2 million from $100.0 million at June 30, 2021 to $105.2 million at June 30, 2022 and increased $7.6 million from $92.4

million at June 30, 2020 to $100.0 million at June 30, 2021. Changes in accounts payable and accrued expenses are primarily the result of timing of payments to vendors.

Accrued salaries, wages, and employee benefits increased $7.4 million from $137.5 million at June 30, 2021 to $144.9 million at June 30, 2022 and increased $20.3 million from $117.2 million at June 30, 2020 to $137.5 million at June 30, 2021. Changes in accrued salaries, wages, and employee benefits are primarily driven by the number of employees, employee merit, fringe benefit rate fluctuations, and paid leave accruals.

Due to related parties consists of amounts owed for services provided to the Group by the School, the University and other affiliates. Due to related parties decreased $48.2 million from $101.4 at June 30, 2021 to $53.2 million at June 30, 2022 and increased $42.9 million from $58.5 million at June 30, 2020 to $101.4 million at June 30, 2021. The changes in both fiscal years were driven by timing of payments between related parties.

In addition, the Group has a long-term due to related parties balance of $128.7 million at June 30, 2022 compared to $138.7 million at June 30, 2021, a decrease of $10.0 million. The decrease in long-term due to related parties in fiscal year 2022 was primarily driven by payments to the University which reduced the long-term due to related parties balance.

Long-term due to related parties increased $15.0 million from $123.7 million at June 30, 2020 compared to $138.7 million at June 30, 2021. The increase in long-term due to related parties in fiscal year 2021 was driven by $15.0 million provided by the University for small capital projects at UW Medical Center. The Group has to repay this balance by December 31, 2022 or the balance will convert into a University Internal Lending Program (ILP) loan.

Medicare advanced payments consists of advanced payments received from Medicare under CMS Medicare Advanced Payment Program which was designed to provide liquidity during the beginning stages of the COVID-19 pandemic. These funds were recouped by Medicare by offsetting paid claims until the full amount was recouped. Medicare began recouping Medicare advanced payments in April 2021 from the Group and has recouped the entire balance as of June 30, 2022. As of June 30, 2021, the current portion of $95.5 million, was presented within Medicare advanced payments in the accompanying statements of net position. The long-term portion of $13.3 million was recorded in other noncurrent liabilities at June 30, 2021 in the statements of net position.

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 $25.7 million from $152.4 million at June 30, 2021 to $178.1 million at June 30, 2022. In fiscal year 2022, the increase in the payables were due to cash collections in excess of distributions paid on behalf of the School.

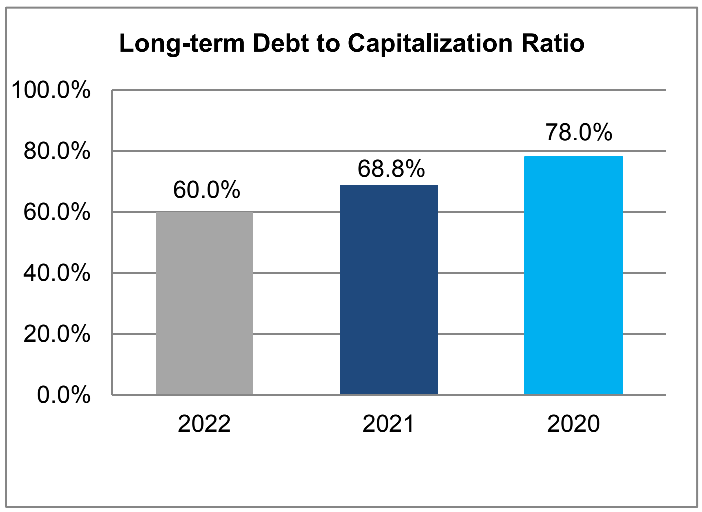
The payable increased $46.8 million from $105.6 million at June 30, 2020 to $152.4 million at June 30, 2021. In fiscal year 2021, the increase in the payables was driven by greater investment income and departmental income due to higher volumes than fiscal year 2020. The increase in volumes were driven by fewer non-emergent and elective procedures that were cancelled due to COVID-19 in fiscal year 2021 compared to fiscal year 2020.

Noncurrent Liabilities

Noncurrent liabilities consist primarily of noncurrent portion of long-term debt, long-term lease liabilities, net pension liabilities, OPEB liability, and other noncurrent liabilities.

Long-term debt, including current portion, increased $139.5 million from $462.3 million at June 30, 2021 to $601.8 million at June 30, 2022. Long-term debt, including current portion increased $58.5 million from $403.8 million at June 30, 2020 to $462.3 million at June 30, 2021. In fiscal year 2022, the increase in long-term debt is a result of UW Medical Center's purchase of one-half of Seattle Children's Healthcare System's membership in SCCA, in the form of a $142.9 million promissory note payable to the Fred Hutchinson Cancer Center. In fiscal year 2021, the increase in long-term debt was driven by the UW Medicine IT Services Destination: One and the Childbirth Center projects.

Long-term debt to capitalization (debt + lease liabilities/unrestricted net assets + net investment in capital assets + debt + lease liabilities) is a ratio used to assess the capital structure of healthcare organizations. The chart to the right shows the long-term debt to capitalization ratio as of June 30 for 2022, 2021, and 2020 based on the amounts reported in the financial statements. The Group's long-term debt to capitalization ratio decreased from 68.8% in fiscal year 2021 to 60.0% in fiscal year 2022 as a result of an increase in net position of $229.2 million. The Group's long-term debt to capitalization ratio decreased from 78.0% in fiscal year 2020 to 68.8% in fiscal year 2021 as a result of an increase in net position of $203.5 million.



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

Net Position

Unrestricted net position increased $200.5 million from $19.2 million at June 30, 2021 to $219.7 million at June 30, 2022. The increase in unrestricted net position was driven by income before capital appropriations and other and capital appropriations for the Behavioral Health Teaching Facility.

Unrestricted net position increased $232.8 million from $(213.6) million at June 30, 2020 to $19.2 million at June 30, 2021. The increase in unrestricted net position was driven by income before capital appropriations and other.

Formation of Fred Hutchinson Cancer Center

On March 31, 2022, the members in 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 $285.9 million 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 and to coordinate through separate affiliation agreements with FHCC and UW Medicine. UW Medical Center entered into a promissory note to pay FHCC over a ten-year period for its 50% portion of the SCHS membership in SCCA.

In addition to the restructure of the former SCCA corporate entity, UW Medical Center and FHCC agreed to the Restructuring and Enhanced Collaboration Agreement (Restructuring Agreement), which clinically and financially integrates the adult cancer program between both entities. With this new arrangement, UW Medical Center no longer holds a membership interest in SCCA. UW Medical Center agreed to a restructuring of the SCCA joint venture by transitioning to a non-member entity and rebranding. UW Medical Center's former economic rights as a joint venture member were transformed into contractual rights, including among other provisions a payment right extending perpetually. UW Medical Center's investment in FHCC is recorded within its statements of net position and reflects the integrated adult oncology program. The Restructuring Agreement includes a Financial Alignment Plan, 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.

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. Net pension liabilities had a net decrease of $111.0 million in fiscal year 2022, which was primarily driven by favorable investment earnings on plan investments related to the PERS defined-benefit plans. This change caused the net pension liability for PERS Plan 2 and Plan 3 to become a net pension asset in fiscal year 2022. OPEB liabilities increased $48.7 million reflecting the impact of a lower end of year discount rate used in the associated 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.

(Continued)

(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, 2022, 2021, and 2020:

		2022	2021	2020
Pension liabilities	$	65.8	176.8	217.4
Pension assets		475.8	-	-
Pension (income) expense		(98.5)	20.1	19.4
Pension funding contribution to the University		61.2	68.7	60.6
OPEB liability	$	462.4	413.7	309.4
OPEB expense		24.2	6.6	12.7
OPEB funding contribution to the University		7.6	7.3	5.3

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 statements 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 COVID-19 pandemic continues to evolve and the future impact on the Group's operations and financial position will be driven by many factors, most which are beyond the Group's control and difficult to predict. Broad economic factors resulting from the pandemic, including increased inflation and a competitive labor market continue to impact the Group's patient volumes, case mix acuity, service mix, and revenue mix. The pandemic has also continued to have an adverse effect on the Group's operating expenses to varying degrees. The Group has been required to utilize higher-cost temporary labor and pay premiums due to shortages of essential workers and has also been dealing with supply chain disruptions. In addition, the impact of government and administrative regulation regarding stimulus and relief measures such as the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, the American Rescue Plan Act of 2021 ("ARPA"), and other enacted and potential future legislation is unknown. Because of these factors and other uncertainties, management cannot estimate the length or severity of the impact of the pandemic on the Group's business.

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 labor shortages on the Group’s future expenses and operations.

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 couple of years, a number of manufacturers have reduced the benefits to enrolled entities through the elimination of certain drugs in contract pharmacy settings. This had led to legal action at the federal level in an attempt to reinstate previous savings. This federal action appears to be favorable but is not yet resolved and has resulted in uncertainty related to the financial impact of the 340b program in the future. 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 we provide clinical care as well as mitigating the negative reimbursement trends experienced within the market. With a continued focus on patient volumes shifting from inpatient to outpatient settings due to technological advancements, and demand for care that is more convenient, affordable, and accessible as well as industry-wide migration to value-based payment models as governmental and commercial payers shift risk to providers, the Group’s focus is on managing costs and care efficiently.

UW Finance Transformation

In December 2019, the UW Finance Transformation (UWFT) program received approval from the Board of Regents to proceed with a broad redesign of finance-related policies and processes, enabled by the implementation of new enterprise resource planning (ERP) technology. The University and UW Medicine have determined that Workday Financials® will provide the best available platform to support the business objectives for this transformation by providing a seamless, integrated solution for Human Resources and Payroll (previously implemented), Procurement, and Finance. UW Medicine and the University expect three primary areas of program benefit: functional benefits in the form of new and improved system capabilities, cost avoidance of maintaining and upgrading existing systems, and efficiencies in new business processes and organization. Total program costs are approximately $340.0 million, which includes all operating and capital costs for implementation and one year of stabilization. UW Medicine will be charged for a portion of the project. The amount and allocation methodology will be finalized upon completion of the project. UWFT is expected to be implemented on July 1, 2023.

Destination: One

In March 2021, UW Medicine fully implemented Destination: One, a multiyear clinical transformation program to improve patient engagement and clinician experience. So far, Destination: One has had many successes with the biggest benefit being UW Medicine having one medical record for both hospital and clinical based care. This has helped with capacity management, which was crucial for managing census across campuses, patient safety, provider efficiency, patient online bill pay, unified patient billing, and paperless statements. In addition, UW Medicine expects financial benefits of this project as UW Medicine has been able to retire a number of systems and streamline workflows.

Behavioral Health Teaching Facility at UW Medical Center

UW Medicine and the Washington State legislature established a Behavioral Health Teaching Facility (BHTF) at UW Medical Center, which will be located on the Northwest campus. BHTF will serve the dual purposes of treating patients with behavioral health needs and training an integrated behavioral health workforce in the new 191,000-square-foot facility. The State awarded $234.0 million for the planning, design work, construction, and equipment necessary to build a new, first of its kind building. Construction has begun and the building is anticipated to be completed with patients being seen in the facility in calendar year 2024.

UW MEDICINE SELECT UNITS – UW DIVISION

Statements of Net Position

June 30, 2022 and 2021

(Dollar amounts in thousands)

Assets		2022	2021
Current assets:			
Cash and cash equivalents	$	84,764	68,881
Funds held by the University of Washington		135,183	211,197
Patient accounts receivable, less allowance for uncollectible accounts of $27,839 in 2022 and $23,617 in 2021, respectively		275,744	287,597
Other receivables		26,354	26,475
Due from related parties		36,033	38,939
Supplies inventory		38,900	35,659
Other current assets		31,228	27,833
Total current assets		628,206	696,581
Noncurrent assets:			
Capital assets, net of accumulated depreciation		795,929	762,496
Right-to-use lease assets, net of accumulated amortization		200,630	220,751
Funds held by the University of Washington		204,150	246,352
Investments		149,265	143,510
Donor restricted assets		10,855	10,336
Investment in Seattle Cancer Care Alliance		—	259,279
Investment in Fred Hutchinson Cancer Center		428,827	—
Other assets		95,749	88,714
Net pension assets		475,806	—
Total noncurrent assets		2,361,211	1,731,438
Total assets		2,989,417	2,428,019
Deferred outflows of resources:			
Deferred outflows of resources related to pensions		133,254	125,489
Deferred outflows of resources related to other postemployment benefits		184,666	170,644
Other deferred outflows of resources		3,875	4,555
Total assets and deferred outflows of resources	$	3,311,212	2,728,707

UW MEDICINE SELECT UNITS – UW DIVISION

Statements of Net Position

June 30, 2022 and 2021

(Dollar amounts in thousands)

Liabilities and Net Position		2022	2021
Current liabilities:			
Accounts payable and accrued expenses	$	105,222	100,052
Accrued salaries, wages, and employee benefits		144,853	137,466
Payable to contractual agencies		55,047	58,418
Due to related parties		53,218	101,458
Medicare advanced payments		—	95,525
Current portion of long-term debt		37,125	31,212
Current portion of lease liabilities		30,787	30,750
Other current liabilities		23,443	17,071
Clinical medicine fund and departmental payables		178,119	152,356
Total current liabilities		627,814	724,308
Noncurrent liabilities:			
Long-term debt, net of current portion		564,671	431,082
Long-term lease liabilities		183,335	200,022
Net pension liabilities		65,798	176,802
Other postemployment benefits		462,354	413,696
Due to related parties – long-term		128,731	138,731
Other noncurrent liabilities		37,347	60,533
Total liabilities		2,070,050	2,145,174
Deferred inflows of resources:			
Deferred inflows of resources related to pensions		534,366	100,571
Deferred inflows of resources related to other postemployment benefits		112,145	129,990
Other deferred inflows of resources		40,428	27,992
Total liabilities and deferred inflows of resources		2,756,989	2,403,727
Net position:			
Net investment in capital assets		323,681	295,467
Nonexpendable, restricted		3,407	4,188
Expendable, restricted		7,449	6,148
Unrestricted		219,686	19,177
Total net position		554,223	324,980
Total liabilities, deferred inflows of resources, and net position	$	3,311,212	2,728,707

See accompanying notes to basic financial statements.

UW MEDICINE SELECT UNITS – UW DIVISION

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

(Dollar amounts in thousands)

		2022	2021
Operating revenues:			
Net patient service revenues (net of provision for uncollectible accounts of $25,348 in 2022 and $22,634 in 2021)	$	1,883,133	1,777,389
UWP billing revenues, net		391,803	367,039
Other revenue		286,433	321,682
Total operating revenues		2,561,369	2,466,110
Operating expenses:			
Salaries and wages		1,151,580	999,472
Employee benefits		148,654	238,292
Purchased services		513,349	494,126
Supplies		484,256	474,809
Other		88,987	98,264
Depreciation and amortization		118,075	111,457
Total operating expenses		2,504,901	2,416,420
Income from operations		56,468	49,690
Nonoperating revenues (expenses):			
Investment income		2,676	2,693
Interest expense		(26,636)	(25,277)
Funding to affiliates		(76,922)	(70,242)
Funding from affiliates		122,365	73,084
Federal stimulus funding		15,235	34,575
Equity earnings from Investment in Seattle Cancer Care Alliance		22,910	50,837
Other, net		56,750	57,932
Nonoperating revenues, net		116,378	123,602
Income before capital appropriations and other		172,846	173,292
Capital appropriations and other		56,397	30,146
Increase in net position		229,243	203,438
Net position – beginning of year		324,980	121,542
Net position – end of year	$	554,223	324,980

See accompanying notes to basic financial statements.

UW MEDICINE SELECT UNITS – UW DIVISION

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollar amounts in thousands)

		2022	2021
Cash flows from operating activities:			
Cash received for patient care	$	1,795,566	1,701,065
Cash received for UWP billing revenues		399,693	336,699
Cash received for other services		286,644	311,775
Cash paid to employees		(1,437,385)	(1,270,035)
Cash paid to suppliers and others		(1,090,545)	(1,075,071)
Net cash (used in) provided by operating activities		(46,027)	4,433
Cash flows from noncapital financing activities:			
Funding to affiliates		(77,571)	(68,696)
Funding from affiliates		82,230	73,084
Change in due to/from related parties		692	22,615
Cash received for federal stimulus funding		15,235	34,575
Additions to clinical medicine fund and departmental payables		25,763	46,797
Other, net		47,737	57,507
Net cash provided by noncapital financing activities		94,086	165,882
Cash flows from capital and related financing activities:			
Purchases of capital assets		(130,879)	(110,345)
Principal payments on long-term debt		(26,414)	(18,364)
Proceeds from borrowings		27,803	75,969
Interest payments on long-term debt		(18,382)	(18,040)
Cash paid for principal and interest on leases		(37,169)	(35,488)
Other		56,345	40,207
Net cash used in capital and related financing activities		(128,696)	(66,061)
Cash flows from investing activities:			
Proceeds from sale of investments		44,977	55,813
Purchases of investments		(77,733)	(63,611)
Change in funds held by the University and donor restricted assets		41,965	(58,396)
Investment income		9,687	6,855
Other		1,610	(2,490)
Net cash provided by (used in) investing activities		20,506	(61,829)
(Decrease) increase in cash and cash equivalents		(60,131)	42,425
Cash and cash equivalents, beginning of year		280,078	237,653
Cash and cash equivalents, end of year	$	219,947	280,078

UW MEDICINE SELECT UNITS – UW DIVISION

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollar amounts in thousands)

		2022	2021
Reconciliation of income from operations to net cash (used in) provided by operating activities:			
Income from operations	$	56,468	49,690
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation and amortization		118,075	111,457
Provision for uncollectible accounts		25,348	22,634
Other		312	312
UWP Investment income		19,981	(27,131)
Net (decrease) increase in operating activities:			
Patient accounts receivable		(13,495)	(98,230)
Other receivables		(3,168)	(1,986)
Due from related parties		3,379	(7,921)
Supplies inventory, other current assets, and other assets		(3,094)	(11,696)
Pension related deferred inflows, deferred outflows, net pension asset and net pension liability		(161,329)	(51,820)
OPEB related deferred inflows, deferred outflows, and OPEB liability		16,791	(668)
Accounts payable and accrued expenses		12,078	828
Accrued salaries, wages, and employee benefits		4,963	14,600
Due to related parties		(13,105)	2,829
Payable to contractual agencies, Medicare advanced payments, and other current liabilities		(93,462)	(20,946)
Physician distribution payable		2,424	5,617
Noncurrent liabilities		(18,193)	16,864
Net cash (used in) provided by operating activities	$	(46,027)	4,433
Supplemental disclosures of noncash capital and related financing activities:			
Change in capital assets included in accounts payable	$	(6,908)	6,866
Decrease in capital assets included in noncurrent liabilities		(4,993)	(3,668)
Supplemental disclosures of noncash investing activities:			
Net unrealized (losses) gains on investments		(40,794)	20,212
Equity earnings from Investment in Seattle Cancer Care Alliance		22,910	50,837
Increase in Investment in Seattle Cancer Care Alliance		(142,942)	—
Ceding of investment interest in Seattle Cancer Care Alliance		425,131	—
Investment in Fred Hutchinson Cancer Care		(428,827)	—
Supplemental disclosure of noncash noncapital financing activities:			
Increase in note payable to Fred Hutchinson Cancer Center		142,942	—

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 Neighborhood Clinics (Neighborhood Clinics), The Association of University Physicians dba UW Physicians (UWP), Airlift Northwest (Airlift), and UW Medicine Shared Services.

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 health care providers, support research activities in collaboration with the University School of Medicine (the School) and render other services designed to achieve the “Triple Aim,” which is to improve the healthcare experience for the individual, improve health of the population, and provide more affordable care.

The University of Washington is governed by a ten-member Board of Regents appointed by the Governor of Washington. The UW Medicine Advisory Board was established by the University of Washington Board of Regents. The UW Medicine Advisory Board consists of experienced professionals with relevant backgrounds appointed by the UW Board of Regents and chaired by a member of the UW Board of Regents. The UW Medicine Advisory Board advises the UW Board of Regents on all aspects relating to UW Medicine and assists the UW Medicine chief executive officer and dean of the School of Medicine in strategic planning and oversight of programs across the organizations that make up UW Medicine, including Harborview Medical Center (Harborview), UW Medical Center, Valley Medical Center (VMC), the Neighborhood Clinics, UWP, the School, Fred Hutchinson Cancer Center (FHCC), and Airlift.

Harborview, a component unit of King County, Washington and a related party to the University, is not reflected within the Group financial reporting entity.

VMC, a Washington public hospital district, is a discretely presented component unit of the University, and is not reflected within the Group financial reporting entity.

Fred Hutchinson Cancer Center (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 is a division of the University. The Montlake campus is a 529-licensed-bed hospital and is the main campus. The Northwest campus is a 281-licensed-bed, full service medical facility. Authority for specified governance functions of UW Medical Center has been delegated by the University Board of Regents (the Regents) to the UW Medical Center Board as specified in its bylaws, approved by the Regents in July 2018 and amended in May 2020. UW Medical Center operates under the direction of the UW Medical Center chief executive officer, who is accountable to the

UW Medical Center Board and the president of UW Medicine hospitals and clinics for management of the facility.

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(u).

Airlift

Airlift provides rapid emergency air transport services through one owned and eleven leased aircraft to critically ill or injured patients throughout Washington, Alaska, Montana, and Idaho.

Neighborhood Clinics

The Neighborhood Clinics are a Washington not-for-profit corporation and component unit of the University. The Neighborhood Clinics were established for the benefit of the School, UWP, and its affiliated medical centers, exclusively for clinical, scientific, and educational purposes. The Neighborhood Clinics were organized to coordinate and develop patient care in a community clinical setting to enhance the academic environment of the School by providing additional sites of primary care practice and training for faculty, residents, and students. Neighborhood Clinics employees became University employees effective January 1, 2021.

UW Medicine Shared Services

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

Embright

In October 2018, the Board of Regents authorized the University, through UW Medicine, to become an equity member in a limited liability company. PNWCIN, LLC dba Embright was created in 2018 and is jointly owned by UW Medicine, MultiCare Health System, and LifePoint Health. As a clinically integrated network in the Pacific Northwest owned by healthcare provider organizations, Embright enables the members to partner together to further the Triple Aim of improving the patient care experience and improving the health of populations while reducing costs. Together, the members represent 14 hospitals, more than 6,500 providers, and over 600 outpatient sites of care. Embright's broad geographical reach assures that patients will have access to the full continuum of care, including preventive, primary, secondary, tertiary, quaternary, and 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 46.5% in Embright at June 30, 2022, which is recorded within other assets in the statements of net position.

(Continued)

(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. Intraentity 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, 2022 and 2021, approximately $84,563 and $67,932 was held in cash and $201 and $949, respectively, was held in cash equivalents. Cash deposits of up to $250 are fully insured by the Federal Depository Insurance Corporation.

(e) Funds Held by the University of Washington

Operating and capital funds for certain entities within the Group are invested directly with the University. The current portion is determined based on funds expected to be used in the next year. All balances are available on demand and are stated at carrying value. The University offers a stipulated rate of return determined at the end of the reporting period by the University based on pooled investment performance and the University's reserve fund goals. For fiscal year 2022, the rate returned was 0.75%, representing $2,637 in investment income. For fiscal year 2021, the rate returned was 0.75%, representing $2,667 in investment income.

The Group has unrestricted access to deposit and withdraw these funds at its discretion and without limitation, and as such, amounts classified as current assets are considered cash and cash equivalents for presentation in the statements of cash flows.

(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, 2022 and 2021:

	2022	2021
Cash and cash equivalents	4.5 %	4.9 %
U.S. treasury and agencies securities	65.8	68.6
Mortgage-related securities	5.2	6.2
Asset-backed debt securities	18.4	14.5
Other fixed income securities	6.1	5.8
Total	100.0 %	100.0 %

Concentrations of credit risk consist of pooled investments held on behalf of the Group at the University.

(f) Investments

The Group holds investments in the form of equity securities, fixed-income securities, and government obligations. Fair value is determined based on quoted market prices. The Group's investment income, including realized and unrealized gains or losses, is reported as nonoperating revenue or expense with the exception of UWP whose investment income (including realized and unrealized gains and losses on investments) is a component of revenues as presented in note 2(u).

(g) Supplies Inventory

Supplies inventory consist primarily of surgical, medical, and pharmaceutical supplies in organized stores at various locations across the Group. Inventories are recorded at the lower of cost (first-in, first-out) or market.

(h) Capital Assets

Capital assets are stated at cost at acquisition, or if acquired by gift, at fair value at the date of the gift. Additions, replacements, major repairs, and major renovations are capitalized. Maintenance and repairs are expensed. The cost of the capital assets sold or retired and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded in other nonoperating expense in the statements of revenues, expenses, and changes in net position.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which are generally 5 to 25 years for land improvements, 10 to 40 years for buildings, renovations, and furnishings, 5 to 25 years for fixed equipment, and 3 to 20 years for movable equipment.

(i) Investment in Seattle Cancer Care Alliance

Until March 31, 2022, UW Medical Center was a one-third member in Seattle Cancer Care Alliance (SCCA) and accounted for its interest under the equity method of accounting. Equity earnings from SCCA of $22,910 and $50,837 were recorded in fiscal years 2022 and 2021, respectively, and are included in the statements of revenues, expenses, and changes in net position. Since inception of

(Dollar amounts in thousands)

SCCA, there have been no cash distributions to owners. The equity earnings recorded by UW Medical Center is a noncash transaction. The following is a summary of SCCA's statement of operations for the nine months ended March 31, 2022 and the fiscal year ended June 30, 2021:

		Unaudited 2022	2021
Revenues	$	769,268	923,953
Expenses		695,976	840,847
Nonoperating (expense) revenue		(4,562)	68,180
Excess of revenues over expenses		68,730	151,286
Increase in net assets without donor restrictions	$	68,730	151,286

The following is a summary of SCCA's balance sheet as of June 30, 2021:

		2021
Assets	$	1,535,471
Liabilities	$	745,990
Net assets without donor restrictions		777,835
Net assets with donor restrictions		11,646
Total liabilities and net assets	$	1,535,471

(j) Formation of Fred Hutchinson Cancer Center

On March 31, 2022, the members in 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 and to coordinate through separate affiliation agreements with FHCC and UW Medicine. UW Medical Center entered into a promissory note to pay FHCC over a ten-year period for its 50% portion of the SCHS membership in SCCA.

In addition to the restructure of the former SCCA corporate entity, UW Medical Center and FHCC agreed to the Restructuring and Enhanced Collaboration Agreement (Restructuring Agreement), which clinically and financially integrates the adult cancer program between both entities. With this new arrangement, UW Medical Center no longer holds a membership interest in SCCA. UW Medical Center agreed to a restructuring of the SCCA joint venture: transitioning to a non-member entity, rebranding, realigning the future economic sharing arrangements, and realigning practice area management responsibilities. UW Medical Center's investment in FHCC is recorded within its statements of net position and reflects the integrated adult oncology program. The Restructuring Agreement includes a

Financial Alignment Plan, 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. UW Medical Center's former economic rights as a joint venture member were transformed into contractual rights, including among other provisions a payment right extending perpetually. At June 30, 2022, UW Medical Center recorded $6,669 in financial alignment income for the last quarter of fiscal year 2022 which is recorded within other, net in the statements of revenues, expenses, and changes in net position.

(k) Leases

(i) Lessee

The Group enters into noncancellable leases primarily for buildings and equipment. For leases with a maximum possible term of 12 months or less at commencement, the Group recognizes expense based on the terms of the lease contract. For all other leases, the Group recognizes a lease liability, which is recorded within current portion of lease liabilities and long-term lease liabilities in the statements of net position and a right-to-use lease asset, net of accumulated amortization at the present value of payments expected to be made throughout the lease term. The Group uses its incremental borrowing rate based on information available at the commencement date of the lease in determining the present value of lease payments. Variable lease 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 are expensed as incurred.

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

Some leases 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 liability and right-to-use lease asset.

(ii) 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 statements 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 statements 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 statements of revenues, expenses, and changes in net position.

(l) UW Medicine IT Services

Harborview and SCCA provide advance funding to ITS, which entitles Harborview and SCCA access to the enterprise-wide information technology (IT) software and services. ITS records the funding as unearned revenue. At June 30, 2022 and 2021, $9,300 and $7,600 is recorded in other current liabilities and $12,785 and $17,200 is recorded in other noncurrent liabilities in the statements of net position, respectively, based on expected usage.

Additionally, Harborview entered into a long-term arrangement to pay ITS for its portion of UW Medicine's clinical transformation program, called Destination: One, which is being funded by the University's Internal Lending Program (ILP). Harborview will pay ITS for its share of the project costs, which are allocated to each hospital based on full-time equivalents (FTEs) and total operating revenues. At June 30, 2022 and 2021, ITS has recorded a noncurrent receivable from Harborview within other assets in the statements of net position of $19,152 and $25,317 related to this project. Harborview made its first payment to ITS on August 1, 2021, with the remaining amounts paid over twelve years.

SCCA paid for operating and capital costs of the Destination: One project, which totaled $26,399. SCCA paid for all costs during the project and ITS has unearned revenue representing SCCA's future use of the asset. At June 30, 2022 and 2021, $12,200 and $13,322 of total unearned revenue is recorded within other current liabilities and other noncurrent liabilities, respectively, in the statements of net position for SCCA's portion of the project.

(m) 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, 2022 and 2021 is $77,832 and $75,957, respectively. Compensated absences are reported within the accrued salaries, wages, and employee benefits in the statements of net position.

(n) Benefit Costs

Benefit costs are pooled centrally for all University employees, which, for the Group, includes University employees deployed at UW Medical Center, Airlift, UW Medicine Shared Services, and beginning January 1, 2021, Neighborhood Clinics. Annually, the University reviews total employee benefit costs and prepares standard benefit load rates by employment classification. These benefit costs cover employee healthcare expense, workers' compensation, employment taxes, and retirement plans. Departments, divisions, agencies, component units, and related parties of the University, which have University employees qualifying for employee benefit coverage are charged a cost allocation using the determined benefit load rate and salary dollars by employment classification. All funding of obligations is on a pay-as-you-go basis.

(o) 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 statements of net position based on changes in assumptions, experience, and investment returns and are recognized over an amortization period. Contributions made to the plan subsequent to the measurement date and prior to the Group's fiscal year-end are reported as a deferred outflow of resources and recognized in the subsequent fiscal year. The measurement date for the net pension (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, 2022 and 2021, 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, 2022 and 2021 represent 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. The measurement date for the UWSRP liability is June 30 of the current fiscal year.

On July 1, 2020, the state of Washington established a qualifying trust for contributions paid by the University for the benefit of the UWSRP in accordance with RCW 41.50.075. As a result, the guidance governing the accounting for the UWSRP has changed from GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68* (GASB 73) to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This event gave rise to a change in the Group's estimates of future obligations, deferrals, and pension expense related to the UWSRP. Specifically, $5,349 of contributions paid in prior years and recognized as expense were reported as capital appropriations and other on the statements of revenues, expenses, and changes in net position for the year ended June 30, 2021.

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.

(p) Payable to Contractual Agencies

The Group is reimbursed for Medicare inpatient, outpatient, psychiatric, and rehabilitation services, and for capital and medical education costs during the year either prospectively or at an interim rate. The difference between interim payments and the reimbursement computed based on the Medicare filed cost report results in an estimated receivable from or payable to Medicare at the end of each year. The Medicare program's administrative procedures preclude final determination of amounts receivable from or payable to the Group until after the cost reports have been audited or otherwise reviewed and settled by Medicare.

Public hospitals located in the state of Washington designated by the Washington State legislature are reimbursed at the "full cost" of Medicaid inpatient covered services under the public hospital Certified Public Expenditures (CPE) payment method. See note 3(a) for discussion regarding this program.

The estimated settlement amounts for Medicare cost reports and CPE payments that are not considered final are included in payable to contractual agencies in the statements of net position.

(q) Classification of Revenues and Expenses

The Group's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues, such as patient service revenues and UWP billing revenues, net, result from exchange transactions associated with providing healthcare services – the Group's primary business. Exchange transactions are those in which each party to the transaction receives and gives up essentially equal values.

Operating expenses include all expenses, other than financing costs, incurred by the Group to provide healthcare services to the Group's patients.

Nonoperating revenues and expenses are recorded for nonexchange transactions. This includes investment income, donation income, interest expense, funding to and from affiliates of UW Medicine and the state, other federal and state funding, hospital safety net program, federal stimulus funding, equity earnings generated through investment in SCCA, and state appropriations.

(r) Net Patient Service Revenues

The Group has agreements with third-party payers, which provide for payments to the Group at amounts that differ from its established charges. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payers is as follows:

(i) Medicare

Acute inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge based on Medicare severity diagnosis-related groupings (MS-DRGs), as well as reimbursements related to capital costs. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Payments for Medicare outpatient services are provided based upon a prospective payment system known as ambulatory payment classifications (APC). APC payments are prospectively established and may be greater than or less than the actual charges for services. The Medicare program utilizes the prospective payment system known as case mix group (CMG) for rehabilitation services reimbursement. As with MS-DRGs, CMG payments are prospectively established and may be greater than or less than the Group's actual charges for its services. Adult inpatient psychiatry services are also paid prospectively using a federal per diem payment rate adjusted for comorbidity and various other factors.

(ii) Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at approximate cost or at prospectively determined rates per discharge. Outpatient services rendered are paid based upon the APC prospective payment system. See note 3(a) for discussion surrounding the Medicaid CPE program.

(iii) Commercial

The Group has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Group under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(iv) Exchange (HIX)

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.

(s) 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 $78,881 and $58,283 for the years ended June 30, 2022 and 2021, respectively. The cost of financial assistance provided is calculated based on the Group's aggregate relationship of costs to charges. The

(Continued)

(Dollar amounts in thousands)

estimated cost of financial assistance provided for fiscal years ended June 30, 2022 and 2021 was $25,323 and $20,620, respectively.

(t) 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(u), UWP's billing revenues, by agreement, are limited to operating expenses incurred. Revenue recorded by UWP includes net billings processed on behalf of the School plus investment income and less amounts paid or due to the Clinical Medicine Fund (CMF) and departments.

Accounts receivable from patients, net of allowances for discounts, contractual adjustments, and collection losses are assets of the School. The following represents the estimated net patient accounts receivable for which UWP will pursue collection on behalf of the School as of June 30, 2022 and 2021, and are not reflected in the statements of net position:

		2022	2021
Accounts receivable (net of credit balances of $6,950 and $3,781, respectively)	$	137,708	163,308
Estimated allowances for discounts, contractual adjustments, and collection losses		(87,163)	(101,865)
	$	50,545	61,443

The amounts above exclude receivables related to services performed by certain nonmember healthcare professionals for related entities (Harborview and UW Medical Center) that are billed and collected by UWP as a billing agent. Cash collected on these accounts is remitted monthly to affiliates, net of billing service fees.

(Dollar amounts in thousands)

(u) UWP Billing Activity

As discussed in note 2(t), 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:

		2022	2021
Net billings processed on behalf of the School:			
Professional fee revenue, net	$	527,353	509,407
Billing reimbursement		945	832
		528,298	510,239
Investment (loss) income		(19,981)	27,131
Total net billings processed and investment income		508,317	537,370
Less:			
Amounts paid or due to affiliates		(3,448)	(2,713)
Amounts paid or due to Clinical Medicine Fund and departments		(113,066)	(167,618)
UWP billing revenues, net	$	391,803	367,039

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 statements of net position.

(v) 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 assets, net of accumulated amortization, reduced by outstanding borrowings used to finance the purchase, lease or construction of those assets. Expendable restricted net position consists of resources that the Group is legally or contractually obligated to expend in accordance with time or purpose restrictions placed by donors and/or external parties. Nonexpendable restricted net position, primarily endowments, represent gifts to the Group's permanent endowment funds, in which the donor or other external party has imposed a restriction that the corpus is not available for expenditure. Unrestricted net position is all other funds available to the Group for any purpose associated with its operations.

(w) 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, 2022 and 2021.

UWP and Neighborhood Clinics are exempt from federal income tax under Section 501(c)(3) of the IRC, except for unrelated business income tax. There are no significant tax obligations at June 30, 2022 and 2021.

(x) Recently Adopted and Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which was effective for the fiscal year ended June 30, 2022, as amended by the issuance of Statement No. 95. This statement changes the classification of lease arrangements as either operating or capital leases, and establishes a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This statement applies to contracts that convey the right to use a nonfinancial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees are required to recognize a lease liability and a right-to-use lease asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources. As a result of implementation, the Group applied the standard retroactively to the period beginning July 1, 2020. The statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows for the fiscal year beginning July 1, 2020 have been restated to conform with the requirements of this statement and current year presentation. Upon adoption of the statement, at July 1, 2020, the Group recognized a beginning balance of lease liabilities and right-to-use lease assets of $217,177 and $210,616, respectively, in the statements of net position for lessee transactions. In addition, the Group recognized lease receivables and deferred inflows of resources of approximately $29,482 and $29,431, respectively, in the statements of net position for lessor transactions.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which was effective for the fiscal year ended, June 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will not be included in the capitalized cost of capital assets reported by the Group. This statement has been applied on a prospective basis and interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated. The Group adopted this statement in fiscal year 2022 and determined it did not have a material impact to the financial statements.

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

(Dollar amounts in thousands)

(y) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(3) Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as updated information becomes available and when final settlements are determined. In 2022 and 2021, net patient service revenues increased $4,790 and $6,856, respectively, relating to prior years' net Medicare and Medicaid settlements and revised estimates, including disproportionate share reimbursement and the CPE program.

The following are the components of net patient service revenues for the years ended June 30, 2022 and 2021:

		2022	2021
Gross patient service charges	$	5,136,567	4,609,989
Less adjustments to gross patient service charges:			
Contractual discounts		(3,170,177)	(2,766,716)
Financial assistance		(57,909)	(43,250)
Provision for uncollectible accounts		(25,348)	(22,634)
Total adjustments to gross patient service charges		(3,253,434)	(2,832,600)
Net patient service revenues	$	1,883,133	1,777,389

(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, 2022 and 2021 was as follows:

	2022	
	Patient service charges	Accounts receivable
Medicare	39 %	35 %
Medicaid	16	14
Commercial and other	42	46
Exchange (HIX)	2	2
Self-pay	1	3
Total	100 %	100 %

	2021	
	Patient service charges	Accounts receivable
Medicare	37 %	33 %
Medicaid	17	15
Commercial and other	43	47
Exchange (HIX)	2	2
Self-pay	1	3
Total	100 %	100 %

(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 $23,768 and $24,445 in claims payments under this program for the years ended June 30, 2022 and 2021, respectively.

In addition, UW Medical Center receives the federal match portion of Disproportionate Share (DSH) payments, which is the lesser of qualifying Medicaid and financial assistance uncompensated care cost or the hospital’s specific limit. UW Medical Center recognized $36,304 and $39,800 in DSH funding under this program for the years ended June 30, 2022 and 2021, respectively.

(Continued)

Since the inception of the program, the Washington State Legislature (the State) has provided, through an annual budget proviso, a “hold harmless” provision for hospitals participating in the CPE program. Through this proviso, hospitals participating in the CPE program will receive no less in combined state and federal payments than they would have received under the previous payment methodology. In addition, the hold harmless provision ensures that participating hospitals receive DSH payments as specified in the legislation.

In the event of a shortfall between CPE program payments and the amount determined under the hold harmless provision, the difference is paid to the hospitals as a grant from state only funds. UW Medical Center did not recognize any amounts for state grants for the years ended June 30, 2022 and 2021. Claims payments, DSH payments, and state grant funds are included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

CPE payments are subject to retrospective determination of actual costs once UW Medical Center’s Medicare Cost Report is audited. CPE program payments are not considered final until retrospective cost reconciliation is complete, after UW Medical Center receives its Medicare Notice of Program Reimbursements for the corresponding cost reporting year.

Interim state grant payments are retrospectively reconciled to “hold harmless” after actual claims are repriced using the applicable DRG payment methodology. This process takes place approximately 12 months after the end of the fiscal year and results in either a payable to, or receivable from, the State Medicaid Program. UW Medical Center has estimated the expected final settlement amounts based on the difference between CPE payments received and the estimated hold harmless amount.

As of June 30, 2022 and 2021, UW Medical Center has an estimated payable for the CPE program of $47,657 and $39,560, respectively, which is recorded as a payable to contractual agencies in the statements of net position.

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

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

Under the program, UW Medical Center, UWP, and Children’s University Medical Group (CUMG) receive supplemental Medicaid payments for the physician and other professional services for which they bill. These supplemental payments equal the difference between the standard Medicaid reimbursement and the upper payment limit allowable by federal law. UW Medical Center and Harborview provide the nonfederal share of the supplemental payments that are used to obtain matching federal funds.

UW Medical Center recorded $12,113 and $12,659 for the years ended June 30, 2022 and 2021, respectively, in intergovernmental transfers (IGT) to HCA related to professional claims paid. This is included in funding to affiliates in the statements of revenues, expenses, and changes in net position. There is no requirement that UWP and CUMG PSSP and PAP payments be returned to UW Medical Center as a condition for making the IGTs.

UW Medical Center recognized $2,112 and $2,088 in supplemental payments for the years ended June 30, 2022 and 2021, respectively. The payments are recorded in net patient service revenues in the statements of revenues, expenses, and changes in net position. UWP recognized $57,050 and $58,211 in supplemental payments for the years ended June 30, 2022 and 2021, respectively, for the benefit of the School and are reflected as part of revenues processed and amounts due to the CMF as shown in note 2(u).

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 statements of revenues, expenses, and changes in net position and was reduced by $30,928 and $31,471 in fiscal years 2022 and 2021, respectively.

(4) Medicare Advanced Payments and Federal Stimulus Funding

In response to financial pressures brought on by the COVID-19 pandemic, the Group pursued additional sources of liquidity and financial recovery through various federal programs. The Group requested and received approval for six months of advance Medicare payments under CMS Medicare Advanced Payment Program (MAPP). The Group received $125,300 in fiscal year 2020. The advance Medicare funds are recovered by Medicare by offsetting paid claims until the full amount is recouped.

On September 30, 2020, a federal law was signed to extend the deadline for repayment under the Medicare Advanced Payment Program, which would give hospital providers one year from the date of the original advance before Medicare can begin to recover the advances and 29 months from the date of the original advance to fully repay the advanced payments without interest.

Medicare began recouping the Group’s advanced payments in April 2021 and recouped the entire balance. As of June 30, 2022, the Group had no outstanding Medicare advanced payments. As of June 30, 2021, the current portion of $95,525 was recorded within Medicare advanced payments in the accompanying statements of net position. The long-term portion of $13,264 was recorded in other noncurrent liabilities as of June 30, 2021 in the statements of net position.

The federal government passed the Coronavirus Aid, Relief and Economic Security (CARES Act) in March 2020 and the American Rescue Plan Act (ARPA) in March 2021. Both the CARES Act and ARPA were aimed to direct economic assistance for the American workers, families and small businesses and preserve jobs for American industries. The CARES Act and ARPA require the amount of funding to be validated, which requires management to quantify lost revenues and incur expenses associated with the pandemic. During the fiscal years ended June 30, 2022 and 2021, the Group received and recognized CARES Act and ARPA funds totaling $15,235 and $34,575, respectively, which is recorded within federal stimulus funding in the statements of revenues, expenses, and changes in net position.

(5) State Appropriation

An appropriation is made by the State to the University on a biennial basis, specifically designated by the State for the training of future healthcare professionals and to upgrade the skills of current practitioners. UW Medical Center is designated as a division of the major program “hospitals” included within the total appropriation. In fiscal year 2021, UW Medical Center was awarded a one-time state appropriation of $35,000 to partially cover lost revenues from the COVID-19 pandemic that would not be recovered by other funding. UW Medical Center recognized $18,909 and $44,034 for the fiscal years ended June 30, 2022 and 2021, respectively, which is recorded within other nonoperating, net.

(Dollar amounts in thousands)

(6) Capital Assets

The activity in the Group's capital asset and related accumulated depreciation accounts for the years ended June 30, 2022 and 2021 is set forth below:

	June 30, 2021	Additions	Transfers	Retirements	June 30, 2022
Capital assets, not being depreciated:					
Land	$ 10,817	—	—	—	10,817
Art	1,824	780	—	—	2,604
Construction in process	66,499	117,447	(87,687)	—	96,259
Total capital assets, not being depreciated	79,140	118,227	(87,687)	—	109,680
Capital assets, being depreciated:					
Land improvements	13,668	—	—	—	13,668
Buildings, renovations, and furnishings	962,563	220	41,863	(310)	1,004,336
Fixed equipment	166,469	290	(3,276)	(1,161)	162,322
Movable equipment	760,739	416	49,100	(47,386)	762,869
Total capital assets, being depreciated	1,903,439	926	87,687	(48,857)	1,943,195
Total capital assets at historical cost	1,982,579	119,153	—	(48,857)	2,052,875
Less accumulated depreciation for:					
Land improvements	(9,092)	(386)	—	—	(9,478)
Buildings, renovations, and furnishings	(511,663)	(31,194)	—	178	(542,679)
Fixed equipment	(136,748)	(4,457)	1,765	808	(138,632)
Movable equipment	(562,580)	(47,374)	(1,765)	45,562	(566,157)
Total accumulated depreciation	(1,220,083)	(83,411)	—	46,548	(1,256,946)
Total capital assets, net	$ 762,496	35,742	—	(2,309)	795,929

(Dollar amounts in thousands)

	June 30, 2020	Additions	Transfers	Retirements	June 30, 2021
Capital assets, not being depreciated:					
Land	$ 10,817	—	—	—	10,817
Art	1,817	7	—	—	1,824
Construction in process	88,505	113,432	(135,438)	—	66,499
Total capital assets, not being depreciated	101,139	113,439	(135,438)	—	79,140
Capital assets, being depreciated:					
Land improvements	13,688	—	—	(20)	13,668
Buildings, renovations, and furnishings	959,762	15	4,029	(1,243)	962,563
Fixed equipment	167,133	—	934	(1,598)	166,469
Movable equipment	634,645	340	130,475	(4,721)	760,739
Total capital assets, being depreciated	1,775,228	355	135,438	(7,582)	1,903,439
Total capital assets at historical cost	1,876,367	113,794	—	(7,582)	1,982,579
Less accumulated depreciation for:					
Land improvements	(8,717)	(395)	—	20	(9,092)
Buildings, renovations, and furnishings	(481,723)	(31,073)	—	1,133	(511,663)
Fixed equipment	(133,296)	(4,766)	—	1,314	(136,748)
Movable equipment	(525,231)	(41,514)	(24)	4,189	(562,580)
Total accumulated depreciation	(1,148,967)	(77,748)	(24)	6,656	(1,220,083)
Total capital assets, net	$ 727,400	36,046	(24)	(926)	762,496

Intangible assets, net of accumulated amortization of $95,157 and $106,822 as of June 30, 2022 and 2021, respectively, is included in movable equipment in the capital asset rollforwards.

(7) Leases

(a) Lessee

The Group leases various equipment and facilities under noncancellable lease agreements. Existing leases have lease terms through fiscal year 2044.

(Dollar amounts in thousands)

(i) Right-to-use lease assets

The Group's right-to-use lease asset and related accumulated amortization accounts for the fiscal years ended June 30, 2022 and 2021 is set forth below:

		June 30, 2021	Additions	Modifications and renewals	Deductions	June 30, 2022
Lease Assets:						
Buildings	$	187,683	4,652	9,338	(672)	201,001
Equipment		6,668	694	—	—	7,362
Aircraft		60,109	—	—	—	60,109
Total lease assets		254,460	5,346	9,338	(672)	268,472
Less accumulated amortization for:						
Buildings		(17,244)	(18,256)	—	531	(34,969)
Equipment		(2,205)	(2,148)	—	—	(4,353)
Aircraft		(14,260)	(14,260)	—	—	(28,520)
Total accumulated amortization		(33,709)	(34,664)	—	531	(67,842)
Total lease assets, net	$	220,751	(29,318)	9,338	(141)	200,630

		July 1, 2020	Additions	Modifications and renewals	Deductions	June 30, 2021
Lease Assets:						
Buildings	$	144,036	10,884	32,763	—	187,683
Equipment		6,471	197	—	—	6,668
Aircraft		60,109	—	—	—	60,109
Total lease assets		210,616	11,081	32,763	—	254,460
Less accumulated amortization for:						
Buildings		—	(17,244)	—	—	(17,244)
Equipment		—	(2,205)	—	—	(2,205)
Aircraft		—	(14,260)	—	—	(14,260)
Total accumulated amortization		—	(33,709)	—	—	(33,709)
Total lease assets, net	$	210,616	(22,628)	32,763	—	220,751

(ii) Lease Liabilities

Changes in lease liabilities during the fiscal years ended June 30, 2022 and 2021 are summarized below:

		Beginning balance	Additions	Remeasurements and renewals	Deductions	Ending balance	Due within one year
Fiscal year ended:							
June 30, 2022	$	230,772	5,346	9,338	(31,334)	214,122	30,787
June 30, 2021		217,177	11,083	32,763	(30,251)	230,772	30,750

(Dollar amounts in thousands)

(iii) Lease maturities

The following schedule shows future annual lease payments, for the next five years and in five-year increments thereafter, as of June 30, 2022, for both principal and interest:

	Principal	Interest	Total
2023	$ 30,787	5,305	36,092
2024	26,381	4,746	31,127
2025	22,602	4,208	26,810
2026	11,526	3,828	15,354
2027	11,305	3,529	14,834
2028–2032	46,674	13,494	60,168
2033–2037	40,022	7,193	47,215
2038–2042	22,202	1,949	24,151
2043–2047	2,623	33	2,656
Total payments	$ 214,122	44,285	258,407

(8) 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.

The composition of the carrying amounts of investments, by type, at June 30, 2022 and 2021, is as follows:

	2022	2021
Mutual funds – equity	$ 131,695	125,197
Domestic corporate bonds	6,409	8,478
U.S. governmental agency securities	4,573	4,390
U.S. Treasury securities	6,588	5,477
Total	$ 149,265	143,542

(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.

(Dollar amounts in thousands)

Investments subject to credit risk (as determined through a nationally recognized rating agency – Standard & Poor's) are presented in the table below:

	2022					
Investments	**U.S. Government**	**Investment grade***	**Not investment grade**	**Not rated**	**Total**	**Duration (in years)**
Domestic corporate bonds	$ —	6,409	—	—	6,409	6.05
U.S. governmental agency	4,573	—	—	—	4,573	5.50
U.S. Treasury securities	6,588	—	—	—	6,588	7.30
	$ 11,161	6,409	—	—	17,570	6.28

	2021					
Investments	**U.S. Government**	**Investment grade***	**Not investment grade**	**Not rated**	**Total**	**Duration (in years)**
Domestic corporate bonds	$ —	8,478	—	—	8,478	6.65
U.S. governmental agency	4,390	—	—	—	4,390	4.02
U.S. Treasury securities	5,477	—	—	—	5,477	8.19
	$ 9,867	8,478	—	—	18,345	6.29

* *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, 2022 and 2021:

		2022			
		Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	$	131,695	—	—	131,695
Domestic corporate bonds		—	6,409	—	6,409
U.S. governmental agency securities		—	4,573	—	4,573
U.S. Treasury securities		6,588	—	—	6,588
Total investments at fair value	$	138,283	10,982	—	149,265

		2021			
		Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	$	125,197	—	—	125,197
Domestic corporate bonds		—	8,478	—	8,478
U.S. governmental agency securities		—	4,390	—	4,390
U.S. Treasury securities		5,477	—	—	5,477
Total investments at fair value	$	130,674	12,868	—	143,542

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

(Dollar amounts in thousands)

(d) Investment Income

Investment income includes both realized and unrealized gains and losses on investments. The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held longer than the current reporting period and are sold in the current period include the net appreciation of these investments reported in the prior periods. UWP investment income is recorded in UWP billing revenues, net, as presented in note 2(u), however, the composition of UWP's investment income is included in amounts presented below. Investment (loss) income comprises the following at June 30, 2022 and 2021:

		2022	2021
Dividend and interest income	$	9,696	6,831
Net realized gains		13,985	4,032
Net unrealized (losses) gains		(40,986)	18,961
Total investment (loss) income	$	(17,305)	29,824

(Dollar amounts in thousands)

(9) Long-Term Debt

Long-term debt, reported as a part of noncurrent liabilities, consists of the following as of June 30, 2022 and 2021:

		2022	2021
UW Medical Center Internal Lending Program Debt:			
Expansion Project, 4.00% interest rate, through July 2046	$	235,707	244,365
All other debts, 4.04% to 4.96% interest rates, through December 2027		16,791	22,479
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		49,296	52,997
Other Internal Lending Program Debt, 4.00% interest rate, with various maturity dates		39,052	19,682
Fred Hutchinson Cancer Center Note Payable interest of 4.82% through March 2032		142,942	—
UW Medicine ITS Internal Lending Program Debt:			
D1 Project, 4.00% interest rate, through July 2034		111,771	110,121
UW Medical Center note payable at 4.65%, annual debt service including interest of $1,450 through July 2032; secured by a medical office building – direct borrowing		5,696	6,129
Neighborhood Clinics Paycheck Protection Program loan, at 1% interest deferred for six months, through 2022		—	5,293
Other notes payable		541	1,228
Total long-term debt		601,796	462,294
Less current portion		(37,125)	(31,212)
Total long-term debt, net of current portion	$	564,671	431,082

(a) Long-Term Debt Overview

(i) University Internal Lending Program

The Group periodically applies for and obtains financing through the University's ILP as it identifies borrowing needs. The ILP is an internal financing pool intended to lower the University's overall cost of capital and provide a predictable borrowing rate for borrowers within the University. These loans are funded through the issuance of General Revenue bonds and notes. The University's ILP program policies include a provision for a rate stabilization reserve and a provision for rate adjustments if necessary. Effective July 1, 2021, the ILP interest rate was reduced 25 basis points from 4.25% to 4.00%.

(ii) 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 note payable to FHCC is $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 UWMC's portion of the Clinical Distribution Pool due under the Restructuring Agreement. As of June 30, 2022, no principal or interest payments have been paid.

(Dollar amounts in thousands)

(iii) Neighborhood Clinics

On May 1, 2020, the Neighborhood Clinics were granted a loan from Bank of America, NA, in the amount of $5,293, pursuant to the Paycheck Protection Program (PPP). The PPP was established as part of the CARES Act and provided loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expense of the business. The loan was in the form of a promissory note dated May 1, 2020 and had an interest rate of 1.0% with a deferral of payments of the first six months. The maturity date was two years from the funding date of the loan. The loan is eligible for full forgiveness by the SBA if a forgiveness application is filed within 10 months of the last day of the covered period, which was submitted by the Neighborhood Clinics. The loan payments are deferred until the application deadline, as well as through the application review period. Once the application is reviewed, the loan is either forgiven or payments become due. On September 22, 2021, the Neighborhood Clinic's PPP loan forgiveness application was approved, and the loan was forgiven in full and is recorded as other, net in the statements of revenues, expenses, and changes in net position in fiscal year 2022.

(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, 2022, for both principal and interest:

		Principal	Interest	Total
2023	$	37,125	23,222	60,347
2024		41,529	23,202	64,731
2025		39,107	21,348	60,455
2026		40,447	19,621	60,068
2027		40,367	17,840	58,207
2028–2032		228,164	61,285	289,449
2033–2037		108,993	22,127	131,120
2038–2042		37,138	9,552	46,690
2043–2047		28,926	2,424	31,350
Total payments	$	601,796	200,621	802,417

(Dollar amounts in thousands)

(c) Changes in Long-Term Debt

Changes in long-term debt during the fiscal years ended June 30, 2022 and 2021 are summarized below:

		Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Due within one year
UW Medical Center ILP Debt:						
Expansion Project	$	244,365	—	(8,658)	235,707	9,030
All other debts		22,479	—	(5,688)	16,791	5,944
Note payable – University		52,997	—	(3,701)	49,296	3,856
Other ILP debt		19,682	20,079	(709)	39,052	1,602
Fred Hutchinson Cancer Center Note Payable		—	142,942	—	142,942	8,508
UW Medicine ITS ILP Debt		110,121	8,188	(6,538)	111,771	7,538
UW Medical Center Note Payable		6,129	—	(433)	5,696	453
Neighborhood Clinics PPP Loan		5,293	—	(5,293)	—	—
Other note payables and capital leases		1,228	—	(687)	541	194
Total long-term debt and noncurrent liabilities	$	462,294	171,209	(31,707)	601,796	37,125

		Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Due within one year
UW Medical Center ILP Debt:						
Expansion Project	$	252,474	—	(8,109)	244,365	8,658
All other debts		27,926	—	(5,447)	22,479	5,688
Note payable – University		56,497	—	(3,500)	52,997	3,700
Other ILP debt		7,294	12,388	—	19,682	600
UW Medicine ITS ILP Debt		45,636	64,485	—	110,121	6,184
UW Medical Center Note Payable		6,542	—	(413)	6,129	433
Neighborhood Clinics PPP Loan		5,293	—	—	5,293	5,293
Other note payables and capital leases		2,123	—	(895)	1,228	656
Total long-term debt and noncurrent liabilities	$	403,785	76,873	(18,364)	462,294	31,212

(10) Risk Management

The Group is exposed to risk of loss related to professional, automobile, and general liability, property loss and injuries to employees. UW Medical Center and Airlift participate in risk programs managed by the University to mitigate risk of loss related to these exposures. The other members of the Group mitigate risk of loss through a combination of participating in the liability risk program managed by the University and commercial insurance products. All of the entities participate in the professional liability program managed by the University.

The University's professional liability program currently includes self-insured and commercial reinsurance coverage components of which statutory self-insurance coverage is first dollar. The Group's annual contribution to the professional liability program funding is determined by UW Medicine Finance using information from an annual actuarial study conducted by the University administration. In addition to the University, the participants in the professional liability program include the Group, CUMG, School of Dentistry, the School, and Harborview. In addition to self-insurance fund contributions, the participants share in the expenses of the Clinical Risk Management Office. No claim liability is recorded on the Group's balance sheet for professional liability exposures.

The Group's contribution to the professional liability program was $20,264 and $31,665 in fiscal years 2022 and 2021, respectively, and is recorded in other operating expense in the statements of revenues, expenses, and changes in net position.

(11) Pension Plans

University employees can participate in the following state and University sponsored retirement benefit plans.

(a) University of Washington Retirement Plan

The University of Washington Retirement Plan (UWRP) (the 403(b)) is a defined-contribution plan administered by the University. All faculty and professional staff are eligible to participate in the plan. Contributions to UWRP are invested by participants in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Employees have at all times a 100% vested interest in their accumulations. Benefits from fund sponsors are available upon separation or retirement at the member's option. Revised Code of Washington (RCW) 28B.10.400 et. seq. assigns the authority to the University's Board of Regents to establish and amend benefit provisions.

Funding is determined by employee age and ranges from 5% to 10% of employee salary. Funding obligations are calculated at the University level and the University allocates expense to department, divisions, agencies, and component units through the benefit load rate.

Based on the University's benefit load apportionment, the Group incurred and paid $12,018 and $11,587 in fiscal years 2022 and 2021, respectively, related to annual UWRP funding, which is recorded in employee benefits expense in the statements of revenues, expenses, and changes in net position.

(b) Public Employees' Retirement System Pension Plans

The University offers several contributory pension plans administered by the Washington State Department of Retirement Systems (DRS). The Group has employees in the Public Employees' Retirement System (PERS) plan, which is a defined-benefit retirement plan.

(i) Plan Descriptions of the DRS Plans

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

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

(Dollar amounts in thousands)

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 statements of changes in fiduciary net position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

DRS publishes an annual report for retirement plans, which is available at: https://www.drs.wa.gov/wp-content/uploads/2021/06/2021ACFR.

(iv) Actuarial Assumptions

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

The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (OSA). The Group's 2022 pension liability (asset) is based on an OSA valuation performed as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021. The Group's 2021 pension liability is based on an OSA valuation performed as of June 30, 2019, with the results rolled forward to the measurement date of June 30, 2020. The following actuarial assumptions have been applied to all prior periods included in the measurement:

	2022
Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increase	Expected to grow by promotions and longevity in addition to salary inflation assumption of 3.50%
Investment rate of return	7.40%

	2021
Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increase	Expected to grow by promotions and longevity in addition to salary inflation assumption of 3.50%
Investment rate of return	7.40%

Mortality rates as of June 30, 2020 and 2019 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.

(Dollar amounts in thousands)

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of the 2013–2018 Experience Study Report and 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

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 7.40% as of June 30, 2021 and 2020, approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or damper any short-term changes that are not expected over the entire 50-year measurement period.

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

	2022 (Measurement date: 2021)		2021 (Measurement date: 2020)	
	Target asset allocation	Long-term expected real rate of return arithmetic	Target asset allocation	Long-term expected real rate of return arithmetic
Asset class:				
Fixed income	20.0 %	2.2 %	20.0 %	2.2 %
Tangible assets	7.0	5.1	7.0	5.1
Real estate	18.0	5.8	18.0	5.8
Global equity	32.0	6.3	32.0	6.3
Private equity	23.0	9.3	23.0	9.3

The inflation components used to create the above table are 2.20% for both years and represents WSIB’s most recent long-term estimate of broad economic inflation.

(v) Discount Rate

The discount rate used to measure the total pension liabilities was 7.40% as of June 30, 2022 and 2021. 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.

(Dollar amounts in thousands)

Using the WSIB long-term expected rate of return, a 7.40% future investment rate of return on pension plan investments was assumed as of both June 30, 2021 and 2020. 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).

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

The following table presents the Group's net pension liability and asset calculated using the discount rate of 7.40% as of June 30, 2021 and 2020, 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 (6.40%) or one-percentage-point greater (8.40%) than the current rate.

Discount Rate Sensitivity – Net Pension Liability (Asset)

		2022		
		1% Decrease	Current discount rate	1% Increase
Plan:				
PERS 1	$	77,695	45,608	17,624
PERS 2/3		(135,548)	(475,806)	(756,008)

Discount Rate Sensitivity – Net Pension Liability (Asset)

		2021		
		1% Decrease	Current discount rate	1% Increase
Plan:				
PERS 1	$	141,494	112,964	88,083
PERS 2/3		327,950	52,706	(173,958)

(vii) Employer Contribution Rates

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The contribution rates, stated as a percentage of covered payroll as defined by the statute, and required contributions for each PERS plan in which the Group participates are shown in the table below.

(Dollar amounts in thousands)

Description		PERS Plan 1	PERS Plan 2/3[i]
Contributions as June 30, 2022:			
Contribution rate		12.97 %	12.97 %
Contributions made	$	23,504	40,052

Description		PERS Plan 1	PERS Plan 2/3[i]
Contributions as June 30, 2021:			
Contribution rate		12.86 %	12.86 %
Contributions made	$	27,424	44,601

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, 2022 was June 30, 2021. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2021 have been used as the basis for determining Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension liabilities recorded by the Group as of June 30, 2021 was June 30, 2020, with employer contributions received and processed by DRS during the fiscal year ended June 30, 2020, used as the basis for determining Schedules of Employer and Nonemployer Allocations. The Group's proportionate share for each DRS plan for the years ended June 30, 2022 and 2021 is shown in the table below.

	2022	2021
PERS 1	3.73 %	3.20 %
PERS 2/3	4.78	4.12

(Dollar amounts in thousands)

(ix) The Group Aggregated Balances

The Group's aggregated balances of net pension liability (asset) as of June 30, 2022 and 2021 are presented in the table below.

Plan		2022	2021
PERS 1	$	45,608	112,964
PERS 2/3		(475,806)	52,706
	$	(430,198)	165,670

(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		
Description		PERS Plan 1	PERS Plan 2/3	Total
June 30, 2022	$	10,442	(104,125)	(93,683)
June 30, 2021		16,656	7,188	23,844

Deferred Outflows of Resources

Description		PERS 1	PERS 2/3	Total
June 30, 2022:				
Change in assumptions	$	—	695	695
Difference between expected and actual experience		—	23,109	23,109
Change in the Group's proportionate share		—	18,336	18,336
The Group's contributions subsequent to the measurement date of the collective net pension liability [a]		23,504	40,052	63,556
Total	$	23,504	82,192	105,696

[a] Recognized as a reduction of the net pension liability as of June 30, 2023.

(Dollar amounts in thousands)

Deferred Outflows of Resources

Description		PERS 1	PERS 2/3	Total
June 30, 2021:				
Change in assumptions	$	—	751	751
Difference between expected and actual experience		—	18,868	18,868
Change in the Group's proportionate share		—	9,662	9,662
The Group's contributions subsequent to the measurement date of the collective net pension liability [(a)]		27,424	44,601	72,025
Total	$	27,424	73,882	101,306

[(a)] Recognized as a reduction of the net pension liability as of June 30, 2022.

Deferred Inflows of Resources

Description		PERS 1	PERS 2/3	Total
June 30, 2022:				
Difference between projected and actual earnings on plan investments, net	$	50,609	397,662	448,271
Difference between expected and actual experience		—	5,833	5,833
Change in assumptions		—	33,790	33,790
Total	$	50,609	437,285	487,894

Deferred Inflows of Resources

Description		PERS 1	PERS 2/3	Total
June 30, 2021:				
Difference between projected and actual earnings on plan investments, net	$	629	2,677	3,306
Difference between expected and actual experience		—	6,605	6,605
Change in assumptions		—	36,003	36,003
Total	$	629	45,285	45,914

(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**
2023	$	(13,406)	(105,261)	(118,667)
2024		(12,285)	(98,116)	(110,401)
2025		(11,616)	(94,194)	(105,810)
2026		(13,302)	(101,614)	(114,916)
2027		—	1,997	1,997
Thereafter		—	2,043	2,043
Total	$	(50,609)	(395,145)	(445,754)

(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, 2022 and 2021 net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the UWSRP and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported in the state of Washington's Annual Comprehensive Financial Report, which is available at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. The number of Group participants included in the plan are as follows:

	June 30	
	2022	**2021**
Active employees	469	448
Inactive employees receiving benefits	99	95
Inactive employees entitled to, but not receiving benefits	15	14

(ii) Vesting and Benefits Provided

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

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

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

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the fiscal years ended June 30, 2022 and 2021 were $952 and $858, respectively.

(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. The Group’s contribution rate for the fiscal years ended June 30, 2022 and 2021 per RCW 28B.10.423 was 0.38% and 0.38%, respectively, of UWRP covered salaries. Contributions made in the fiscal years ending June 30, 2022 and 2021 were $604 and $626, respectively. Prior to fiscal year 2021 employer contributions were not required.

(iv) Plan Investments

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

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

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

(Dollar amounts in thousands)

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. For the years ended June 30, 2022 and 2021, the annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense, was 0.12 and 34.90 percent, respectively. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

(v) Pension Liability

The University has set aside assets to pay UWSRP benefits which are not held in a qualified trust as defined by GASB. A qualified trust requires that contributions from employers be irrevocable, dedicated to providing pension benefits to plan members, and are legally protected from creditors of the employer and plan administrator. As a result, these assets are not reflected as a reduction of the total pension liability (TPL). The allocation method used to determine the Group's proportionate share of the University's TPL is based on its unit allocation of what is funded through the benefit load process. The proportionate share percentage for the Group was 9.23% and 8.81% as of June 30, 2022 and 2021, respectively.

The University has set aside $345,256 and $344,786 as of June 30, 2022 and 2021 to pay future UWSRP retiree benefits, of which the Group recorded $31,862 and $30,380, respectively, as other assets on its statements of net position.

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

The Group's proportionate share of the components of the UWSRP pension liability were as follows:

Schedule of Changes in Net Pension Liability

		June 30, 2022		
		Total pension liability	Plan fiduciary net position	Net pension liability
Beginning balance	$	19,070	7,938	11,132
Service cost		341	—	341
Interest on TPL		1,470	—	1,470
Difference between expected and actual experience		6,274	—	6,274
Change in assumptions		2,044	—	2,044
Employer contributions		—	604	(604)
Investment Income		—	42	(42)
Change in proportion		527	—	527
Benefit payments		(952)	—	(952)
Ending balance	$	28,774	8,584	20,190

(Continued)

(Dollar amounts in thousands)

Schedule of Changes in Net Pension Liability

		June 30, 2021		
		Total pension liability	Plan fiduciary net position	Net pension liability
Beginning balance	$	68,600	5,349	63,251
Service cost		2,017	—	2,017
Interest on TPL		1,558	—	1,558
Difference between expected and actual experience		(32,835)	—	(32,835)
Change in assumptions		(19,678)	—	(19,678)
Employer contributions		—	626	(626)
Investment Income		—	1,963	(1,963)
Change in proportion		266	—	266
Benefit payments		(858)	—	(858)
Ending balance	$	19,070	7,938	11,132

The June 30, 2022 TPL is based on an actuarial valuation performed as of June 30, 2020, with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2022. The June 30, 2021 TPL is based on an actuarial valuation performed as of June 30, 2020, with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2021. Both valuations were prepared using the entry age actuarial cost method.

UWSRP pension expense for the fiscal years ended June 30, 2022 and 2021 was $(4,816) and $(3,753), respectively, which is reported within employee benefits expense in the statements of revenues, expenses, and changes in net position.

(Dollar amounts in thousands)

(vi) Actuarial Assumptions

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the University. The professional judgments used in determining these assumptions are important and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on the Group's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2022 and 2021.

	June 30	
	2022	**2021**
Inflation	2.75%	2.75 %
Salary changes	4.00	4.00
Source of mortality assumptions	PubT.H-2010 tables, with the MP-2017 mortality improvement scale	PubT.H-2010 tables, with the MP-2017 mortality improvement scale
Date of experience study	August 2021	August 2021
Discount rate	7.00%	7.40 %
Change in the discount since prior measurement date	0.40%	5.19 %
Source of discount rate	2021 Report on Financial Condition and Economic Experience Study	2019 Report on Financial Condition and Economic Experience Study
Long-term expected rate of return on plan investments	7.00 %	7.40 %
NPL measurement at discount rate	$ 20,190	11,132
NPL discount rate increased 1%	17,344	9,365
NPL discount rate decreased 1%	23,517	13,188

Material assumption changes during the measurement periods ending June 30, 2022 and 2021 included updating the discount rate from 7.40% to 7.00% and from 2.21% to 7.40%, respectively. Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income," were significantly higher than expected for the measurement periods ending

(Dollar amounts in thousands)

June 30, 2022 and 2021 (reflected as “Difference between expected and actual experience” in the Schedule of Changes in the UWSRP liability).

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation for both June 30, 2022 and 2021, are summarized in the following table:

	Target asset allocation	Long-term expected real rate of return arithmetic
Asset class:		
Fixed income	20.0 %	2.2 %
Tangible assets	7.0	5.1
Real estate	18.0	5.8
Global equity	32.0	6.3
Private equity	23.0	9.3

(vii) *Deferred Outflows and Inflows of Resources*

The tables below summarize the Group’s deferred outflows and inflows of resources related to the UWSRP as of June 30, 2022 and 2021, together with the related future year impacts to pension expense from amortization of those deferred amounts:

Deferred outflows of resources		2022	2021
Difference between expected and actual experience	$	11,801	7,677
Change in assumptions		11,381	11,356
Change in proportion		—	5,150
Total	$	23,182	24,183

(Dollar amounts in thousands)

Deferred inflows of resources		2022	2021
Difference between expected and actual experience	$	27,581	32,163
Change in assumptions		16,042	18,593
Net difference between projected and actual earnings on plan investments		492	1,233
Change in proportion		—	2,668
Total	$	44,115	54,657

Amortization of deferred outflows and inflows of resources [a]		
Year:		
2023	$	(4,670)
2024		(4,670)
2025		(3,416)
2026		(2,556)
2027		(5,716)
Thereafter		95
Total	$	(20,933)

[a] Negative amounts shown in the table above represent a reduction of expense.

(d) Other Postemployment Benefits

(i) Plan Description

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

(Dollar amounts in thousands)

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 years 2022 and 2021.

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

The table below shows the Group's PEBB membership data as of June 30, 2022 (measurement date 2021) and 2021 (measurement date 2020):

	2022	2021
Active employees	9,232	8,901
Inactive employees receiving benefits	2,561	2,449
Inactive employees entitled to, but not receiving, benefits	429	410

(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, 2022 and 2021:

(Dollar amounts in thousands)

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

		June 30, 2022
Inflation		2.75 %
Healthcare cost trend rate		Initial rate ranges from about 2–11%, reaching an ultimate rate approximately 4.3% in 2075.
Salary increase		3.50% plus service-based salary increases
Source of mortality assumptions		Society of Actuaries' Pub.H-2010 mortality rates with application of the long-term MP-2017 generational improvement scale, and updated based on results of the 2013–2018 Demographic Experience Study Report and the 2019 Report on Financial Condition Economic Experience Study.
Date of experience study		2013–2018 Demographic Experience Study Report
Discount rate		2.16 %
Source of discount rate		Bond Buyer's General Obligation 20-Bond index as of June 30, 2021 (Measurement Date)
Postretirement participation percentage		65.00 %
TOL measurement at discount rate	$	462,354
TOL discount rate increased 1%		386,299
TOL discount rate decreased 1%		560,174
TOL measurement at healthcare cost trend rate		462,354
TOL healthcare cost trend rate increased 1%		583,079
TOL healthcare cost trend rate decreased 1%		373,016

(Dollar amounts in thousands)

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

		June 30, 2021
Inflation		2.75 %
Healthcare cost trend rate		Initial rate ranges from about 2–11%, reaching an ultimate rate approximately 4.3% in 2075.
Salary increase		3.50% plus service-based salary increases
Source of mortality assumptions		Society of Actuaries' Pub.H-2010 mortality rates with application of the long-term MP-2017 generational improvement scale, and updated based on results of the 2013–2018 Demographic Experience Study Report and the 2019 Report on Financial Condition Economic Experience Study.
Date of experience study		2013–2018 Demographic Experience Study Report
Discount rate		2.21 %
Source of discount rate		Bond Buyer's General Obligation 20-Bond index as of June 30, 2020 (Measurement Date)
Postretirement participation percentage		65.00 %
TOL measurement at discount rate	$	413,696
TOL discount rate increased 1%		345,807
TOL discount rate decreased 1%		500,883
TOL measurement at healthcare cost trend rate		413,696
TOL healthcare cost trend rate increased 1%		516,362
TOL healthcare cost trend rate decreased 1%		337,118

Material assumption changes during the measurement period ending June 30, 2021 include updating the discount rate, as required by GASB Statement No. 75. Material assumption changes during the measurement period ending June 30, 2020 include updating the discount rate, updating the forecasts of healthcare cost trend rate, and the mortality assumptions, as required by GASB Statement No. 75.

(iii) Changes in the Total OPEB Liability

The TOL for the state of Washington as of June 30, 2022 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020 with the results rolled forward to the measurement date of June 30, 2021. The TOL for the state of Washington as of June 30, 2021 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020. The measurement date for the TOL as of June 30, 2021 was the same as the valuation date. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the University. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. The allocation method used to determine the Group's proportionate share of the University's TOL is the relationship of the Group's active, healthcare-eligible employee headcount to the corresponding University total. This proportionate share percentage for the Group was 24.84% and 24.39% as of June 30, 2022 and 2021, respectively.

(Dollar amounts in thousands)

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	
		2022	**2021**
Beginning balance	$	413,696	309,441
Service cost		23,109	17,167
Interest		9,988	14,361
Difference between expected and actual experience		—	(2,201)
Change in assumptions		4,267	9,309
Benefit payments		(7,609)	(6,837)
Change in proportion		18,903	87,083
Other		—	(14,627)
Ending balance	$	462,354	413,696

(iv) OPEB Expense, Deferred Outflow of Resources, and Deferred Inflow of Resources

The tables below summarize the Group's OPEB expense, deferred outflows of resources, and deferred inflows of resources related to the OPEB plan, together with the related future year impacts to OPEB expense from amortization of those deferred amounts. Note that deferred outflows of resources related to the Group's contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability in the following year, and are not amortized to OPEB expense. The Group's proportionate share of OPEB expense for the year ended June 30, 2022 and 2021 was $24,181 and $6,607, respectively.

(Dollar amounts in thousands)

The following table presents the deferred outflows of resources and deferred inflows of resources as of June 30, 2022 and 2021:

Deferred outflows of resources		2022	2021
Differences between expected and actual experience in the measurement of the total OPEB liability	$	7,909	9,076
Changes in proportion		139,669	125,844
Change in assumptions		29,444	28,447
Group's contributions subsequent to the measurement date of the collective total OPEB liability		7,644	7,277
Total	$	184,666	170,644

Deferred inflows of resources		2022	2021
Differences between expected and actual experience in the measurement of the total OPEB liability	$	1,790	1,956
Change in assumptions		83,827	97,567
Changes in proportion		26,528	30,467
Total	$	112,145	129,990

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:		
2023	$	7,209
2024		7,209
2025		7,209
2026		7,209
2027		7,209
Thereafter		28,832
Total	$	64,877

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

(Continued)

(12) Other Retirement Plans

(a) UWP Pension Plan

UWP has a mandatory, noncontributory defined-contribution pension plan, The Association of University Physicians Pension Plan (the Pension Plan). The Pension Plan covers all employees meeting service requirements and who are employed on a regular, permanent basis. UWP contributes an amount equal to 9% of eligible compensation for each participant under age 50 and 10% for each participant age 50 and older. Eligible compensation includes the Association annual salary, plus amounts paid under the Income Distribution Plan.

On termination of service due to death, disability, or retirement, a participant or beneficiary may elect to receive either a lump-sum distribution or an annuity to be paid in monthly installments over a fixed reasonable period of time, not exceeding life expectancy of the participant or designated beneficiary. For termination of service due to other reasons, a participant may elect the value of the vested interest in his or her account as a lump-sum distribution.

If a participant reaches normal retirement age (65), dies, or becomes disabled while employed by UWP, vesting is 100%. Additionally, under certain circumstances, individuals who transfer employment at UWP to employment by the University are also immediately vested. In the event of termination of employment for reasons other than retirement, death, disability, or University transfer, participants are entitled to benefits, which start at 25% vested after two years of service, 50% vested after three years of service, 75% vested after four years of service and 100% vested after five years of service.

Total pension expense was approximately $19,122 and $17,945, net of forfeitures of $462 and $696 in fiscal years 2022 and 2021, respectively, and is recorded in employee benefits expense within the statements of revenues, expenses, and changes in net position. The Association had no liability outstanding for pension contributions at June 30, 2022 and 2021.

(13) Related Parties

The Group has engaged in a number of transactions with related parties. These transactions are recorded by the Group as either revenue or expense transactions because economic benefits are either provided or received by the Group. The Group records cash transfers from related parties that are nonexchange transactions as nonoperating revenue in the statements of revenues, expenses, and changes in net position.

(a) University of Washington

University divisions provide various levels of support to the Group. The following is a summary of services purchased:

(i) The School

The Group purchases a variety of clinical, administrative, and teaching services from the School, which include laboratory services, resident programs, direct faculty salaries, and clinical department funding. The Group also provides laboratory services to the School. At June 30, 2021, the Group has a deposit of $40,135 that is being held on behalf of the School, which is included in due to related parties in the statements of net position. The amounts for these services are shown below (see (g)).

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, 2022 and 2021, the right-to-use lease asset, net of accumulated amortization was $32,528 and $34,550, respectively. At June 30, 2022 and 2021, $1,159 and $1,061 is recorded within current portion of lease liabilities and $33,312 and $34,471 is recorded within long-term lease liabilities, respectively, in 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 (g)).

(iii) Other University Divisions

In addition to the divisions and transactions identified above, the Group purchases information technology services, general and professional liability insurance, printing, internal audit, and other administrative and operational services from other divisions of the University.

UW Medical Center has a payable to the University. The payable is subject to repayment in annual installments of $5,000 over future years, with installment payments of $5,000 and $0 made during the years ended June 30, 2022 and 2021, respectively. The University deferred the annual installment payment in fiscal year 2021 due to financial pressures as a result of COVID-19. At June 30, 2022 and 2021, the current portion of the payable to the University of $5,000 and $0, respectively, is included in due to related parties and the remaining $113,731 and $123,731, respectively, is included in due to related parties – long term in the statements of net position. The amounts for these transactions are shown below (see (g)).

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, 2022 and 2021, the right-to-use lease asset, net of accumulated amortization was $23,461 and $27,540, respectively. At June 30, 2022 and 2021, $3,620 and $3,664 is recorded within current portion of lease liabilities and $20,807 and $24,414 is recorded within long-term lease liabilities, respectively, in the statements 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 (g)).

(c) Seattle Cancer Care Alliance and formation of Fred Hutchinson Cancer Center

SCCA, renamed FHCC on April 1, 2022 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 arrangement, 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 ratio of cost to charge ratio methodology, which is recorded in net patient service revenues in the statements of revenues, expenses, and changes in net position. In addition, UW Medical Center purchases certain administrative and program support services from the SCCA to assist with its programs. The amounts for these transactions are shown below (see (g)). At June 30, 2022 and 2021, the Group recorded $5,038 and $2,003, respectively, in accounts payable and accrued expenses in the statements of net position for amounts owed to FHCC by the Group.

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 statements of revenues, expenses, and changes in net position. The amounts for these transactions are shown below (see (g)). At June 30, 2022 and 2021, the Group recorded $13,911 and $9,346, respectively, in other receivables in the statements of net position for amounts owed to the Group by FHCC.

(d) Fred Hutchinson Cancer Research Center (Fred Hutch)

Until April 1, 2022, UW Medical Center made various payments to Fred Hutch related to research and development support, data collection and analysis, physician assistance services, consulting services, and license rights to use the Fred Hutch name in connection with the inpatient oncology services program. These fees are included in the tables below (see (g)). At June 30, 2021, the Group recorded $3,102 in accounts payable and accrued expenses in the statements of net position for amounts owed to Fred Hutch by the Group. Additionally, the Group provides IT services and support for IT projects to Fred Hutch. The amounts for these transactions are shown below (see (g)).

(e) Children's University Medical Group

UWP provides various administrative services to CUMG, and billing support services when CUMG physicians provide clinical care to patients in UW Medicine facilities. CUMG also reimburses UWP for its share of legal services provided through the centralized legal office for support of the nonprofit entities, including UWP and CUMG. UWP bills CUMG for these services on a monthly basis. These amounts are included in the tables below (see (g)). Likewise, CUMG provides billing support services to UWP for UWP physicians providing clinical care to patients at the Seattle Children's Hospital (SCH).

(f) UW Neighborhood Clinics

Under an annual agreement, UW Medical Center and Harborview provide funding to the Neighborhood Clinics for operations and capital purposes. For the years ended June 30, 2022 and 2021, total funding from the UW Medicine hospitals to the Neighborhood Clinics was $49,408 and $51,664, respectively. Approximately $36,695 and $38,021, respectively, was provided from entities within the Group and was eliminated from these financial statements. The remaining portion related to Harborview is recorded as other revenue in the statements of revenues, expenses, and changes in net position. The amounts for these transactions are shown below (see (g)).

(Dollar amounts in thousands)

(g) Summary of Related-Party Transactions

The Group's related-party revenue and expense amounts are included in net patient service revenues, other revenue, salaries and wages, benefits, purchased services, and other expense in the statements of revenues, expenses, and changes in net position. The following table summarizes the related-party revenue and expense transactions for the years ended June 30, 2022 and 2021:

(Expense) revenue transactions		2022	2021
Services and supplies purchased from the University and its departments and affiliates:			
The School	$	(249,412)	(228,477)
UW Medicine Central Costs		(27,960)	(22,775)
Other university divisions		(100,453)	(114,033)
Services and supplies purchased from Harborview		(8,839)	(6,201)
Services and supplies purchased from SCCA/FHCC		(15,254)	(10,813)
Services and supplies purchased from Fred Hutch		(14,902)	(15,830)
Services and supplies provided to the University and its departments and affiliates:			
The School		8,539	8,111
Other University divisions		834	735
Services and supplies provided to Harborview		150,538	151,673
Services and supplies provided to SCCA/FHCC		98,651	85,591
Services and supplies provided to VMC		4,559	4,577
Services and supplies provided to CUMG		1,280	1,271
Services and supplies provided to SCH		1,291	1,161

As of June 30, 2022 and 2021, the Group had amounts due from or (due to) related parties for certain transactions as follows:

Due from related parties		2022	2021
The University and its departments and affiliates:			
The School	$	19,337	22,835
Other university divisions		1,236	1,003
Harborview		15,460	15,101

(Dollar amounts in thousands)

Due to related parties		2022	2021
The University and its departments and affiliates:			
The School	$	(19,498)	(60,183)
Other university divisions		(153,884)	(171,640)
Harborview		(8,567)	(8,366)

(h) State of Washington

The state of Washington Medicaid Transformation Program (MTP) program is a five-year contract between the State and CMS authorizing up to $1,500,000 in federal matching funds as incentive to promote innovative, sustainable, and systemic changes that improve the overall health of the State. HCA requested intergovernmental transfers from other state and local public entities to finance a portion of the nonfederal share. The Group recorded $64,282 and $57,280 in intergovernmental transfers to the State in fiscal years 2022 and 2021, respectively, which is included in funding to affiliates in the statements of revenues, expenses, and changes in net position.

The state of Washington submitted and received approval for incentive payments under the MTP program of which the Group received $80,353 and $71,600, in fiscal years 2022 and 2021, respectively, which is recorded in funding from affiliates in the statements of revenues, expenses, and changes in net position. Funds received through this program are not restricted in use.

(14) Commitments and Contingencies

(a) Purchase Commitments

The Group has current commitments at June 30, 2022 of approximately $46,654 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.

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

(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 72% and 76% of its workforce covered by collective bargaining agreements as of June 30, 2022 and 2021, respectively. 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)

	2022	2021	2020	2019	2018	2017	2016
PERS 1 Pension Plan							
The Group's proportion of the net pension liability	3.73 %	3.20 %	2.93 %	2.93 %	2.96 %	2.89 %	2.81 %
The Group's proportionate share of the net pension liability	$ 45,608	112,964	112,603	130,636	139,899	155,096	147,106
The Group's covered payroll	561,965	480,672	398,000	375,552	364,515	337,067	351,582
The Group's proportionate share of the net pension liability as a percentage of its covered payroll	8.12 %	23.50 %	28.29 %	34.79 %	38.38 %	46.01 %	41.84 %
Plan fiduciary net position as a percentage of the total pension liability	88.74	68.64	67.12	63.22	61.24	57.03	59.10
PERS 2/3 Pension Plan							
The Group's proportion of the net pension liability (asset)	4.78 %	4.12 %	3.73 %	3.69 %	3.72 %	3.61 %	3.52 %
The Group's proportionate share of the net pension liability (asset)	$ (475,806)	52,706	36,207	62,990	128,950	181,639	125,761
The Group's covered payroll	563,141	480,376	398,530	374,817	363,873	336,961	312,289
The Group's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(84.49)%	10.97 %	9.09 %	16.81 %	35.44 %	53.91 %	40.27 %
Plan fiduciary net position as a percentage of the total pension liability (asset)	120.29	97.22	97.77	95.77	90.97	85.82	89.20

Schedule of the Group's Contributions
(Amounts determined as of the fiscal year-end)

	2022	2021	2020	2019	2018	2017	2016
PERS 1 Pension Plan							
Contractually required contribution	$ 192	297	380	439	553	625	735
Contributions in relation to the contractually required contribution	191	297	380	440	551	618	735
Contribution deficiency (excess)	1	—	—	(1)	2	7	—
The Group's covered payroll	621,930	561,965	480,672	398,000	375,552	364,515	337,515
Contributions as a percentage of covered payroll	0.03 %	0.05 %	0.08 %	0.11 %	0.15 %	0.17 %	0.22 %
PERS 2/3 Pension Plan							
Contractually required contribution	$ 64,605	72,914	61,771	51,022	47,359	40,679	37,396
Contributions in relation to the contractually required contribution	64,171	72,917	61,803	50,999	47,404	40,721	37,740
Contribution deficiency (excess)	434	(3)	(32)	23	(45)	(42)	(344)
The Group's covered payroll	623,173	563,141	480,376	398,530	374,817	363,873	336,961
Contributions as a percentage of covered payroll	10.37 %	12.95 %	12.86 %	12.80 %	12.64 %	11.18 %	11.10 %

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

		2022	2021	2020	2019	2018
Beginning balance	$	413,696	309,441	280,069	306,185	336,283
Service cost		23,109	17,167	12,529	17,510	20,758
Interest		9,988	14,361	10,869	12,038	9,723
Difference between expected and actual experience		—	(2,201)	—	10,989	—
Change in assumptions		4,267	9,309	20,240	(76,658)	(47,429)
Benefit payments		(7,609)	(6,837)	(4,972)	(5,084)	(4,955)
Change in proportionate share		18,903	87,083	(9,294)	15,089	(8,195)
Other		—	(14,627)	—	—	—
Ending balance	$	462,354	413,696	309,441	280,069	306,185
OPEB covered-employee payroll	$	768,225	706,311	546,921	515,803	494,744
Total OPEB liability as percentage of covered-employee payroll		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)

	2022	2021
Total pension liability (TPL) – Beginning	$ 19,070	68,600
Service cost	341	2,017
Interest on TPL	1,470	1,558
Change in proportion	527	266
Difference between expected and actual experience	6,274	(32,835)
Change in assumptions	2,044	(19,678)
Benefit payments	(952)	(858)
Net change in total pension liability	9,704	(49,530)
Total pension liability – Ending (a)	28,774	19,070
Plan fiduciary net position – Beginning	7,938	5,349
Employer contributions	604	626
Net investment income	42	1,963
Benefit payments	—	—
Administrative expense	—	—
Other changes	—	—
Net change in plan fiduciary net position	646	2,589
Plan fiduciary net position – Ending (b)	8,584	7,938
UWSRP net pension liability (a) minus (b)	$ 20,190	11,132
Plan fiduciary net position as percentage of the total pension liability	29.83 %	41.63 %
The Group's UWSRP covered payroll [1]	159,013	152,720
Net pension liability as a percentage of covered payroll	12.70 %	7.29 %

Schedule of the Group's Contributions

(Amounts determined as of the fiscal year-end)

	2022	2021
Contractually required contribution	$ 604	580
Contributions in relation to the contractually required contribution	604	626
Contribution deficiency (excess)	$ —	(46)
The Group's UWSRP covered payroll [1]	159,013	152,720
Contributions as a percentage of covered-employee payroll	0.38 %	0.41 %

[1] Covered payroll for the fiscal year ending June 30, 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.

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, 2017, valuation date, completed in the fall of 2018, determines the ADC for the period beginning July 1, 2019 and ending June 30, 2021.

Additional Considerations on ADC for All Plans:

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

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

Plans administered by the University

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

Covered payroll for the fiscal years ending June 30, 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.

Material assumption changes during the fiscal year 2022 measurement period includes updating the discount rate from 7.40% to 7.00% ("Change in assumption" which increased the TPL). In addition, CREF investment experience during fiscal year 2022 was significantly lower than expected ("Difference between expected and actual experience" which also increased the TPL).

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

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 2022 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 2.21% for the June 30, 2020 measurement date, to 2.16% for the June 30, 2021 measurement date. This change resulted in an increase in the TOL.

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

UW MEDICINE SELECT UNITS – UW DIVISION

Combining Statement of Net Position

June 30, 2022

(Dollar amounts in thousands)

	UW Medical Center	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Current assets:							
Cash and cash equivalents	$ —	66,102	8,232	10,430	—	—	84,764
Funds held by the University of Washington	34,885	—	—	17,863	82,435	—	135,183
Patient accounts receivable, net	260,271	—	3,201	12,272	—	—	275,744
Other receivables	19,851	1,048	890	1,242	3,633	(310)	26,354
Due from related parties	28,440	5,602	2,221	—	41,070	(41,300)	36,033
Supplies inventory	38,468	—	432	—	—	—	38,900
Other current assets	27,678	4,595	432	595	8,869	(10,941)	31,228
Total current assets	409,593	77,347	15,408	42,402	136,007	(52,551)	628,206
Noncurrent assets:							
Capital assets, net of accumulated depreciation	657,012	883	8,959	2,965	126,110	—	795,929
Right-to-use lease assets, net of accumulated amortization	132,964	3,167	26,647	37,159	11,221	(10,528)	200,630
Funds held by the University of Washington	204,150	—	—	—	—	—	204,150
Investments	—	149,265	—	—	—	—	149,265
Donor restricted assets	10,855	—	—	—	—	—	10,855
Investment in Seattle Cancer Care Alliance	—	—	—	—	—	—	—
Investment in Fred Hutchinson Cancer Center	428,827	—	—	—	—	—	428,827
Other assets	78,331	—	158	446	68,133	(51,319)	95,749
Net pension assets	396,768	—	—	9,425	69,613	—	475,806
Total noncurrent assets	1,908,907	153,315	35,764	49,995	275,077	(61,847)	2,361,211
Total assets	2,318,500	230,662	51,172	92,397	411,084	(114,398)	2,989,417
Deferred outflows of resources:							
Deferred outflows of resources related to pensions	99,270	—	—	2,299	31,685	—	133,254
Deferred outflows of resources related to other postemployment benefits	127,272	—	—	2,171	55,223	—	184,666
Other deferred outflows of resources	3,875	—	—	—	—	—	3,875
Total assets and deferred outflows of resources	$ 2,548,917	230,662	51,172	96,867	497,992	(114,398)	3,311,212

UW MEDICINE SELECT UNITS – UW DIVISION

Combining Statement of Net Position

June 30, 2022

(Dollar amounts in thousands)

	UW Medical Center	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Current liabilities:							
Accounts payable and accrued expenses	$ 73,524	5,851	543	2,949	22,647	(292)	105,222
Accrued salaries, wages, and employee benefits	82,382	23,701	3,389	1,975	33,406	—	144,853
Payable to contractual agencies	55,047	—	—	—	—	—	55,047
Due to related parties	49,868	18,711	3,245	4,653	18,041	(41,300)	53,218
Medicare advance payments	—	—	—	—	—	—	—
Current portion of long-term debt	29,506	—	81	—	7,538	—	37,125
Current portion of lease liabilities	9,307	1,550	4,864	14,144	2,563	(1,641)	30,787
Other current liabilities	12,747	131	50	819	19,015	(9,319)	23,443
Clinical medicine fund and departmental payables	—	178,119	—	—	—	—	178,119
Total current liabilities	312,381	228,063	12,172	24,540	103,210	(52,552)	627,814
Noncurrent liabilities:							
Long-term debt, net of current portion	460,100	—	338	—	104,233	—	564,671
Long-term lease liabilities	131,585	2,599	24,860	23,487	10,093	(9,289)	183,335
Net pension liabilities	47,223	—	—	1,182	17,393	—	65,798
Other postemployment benefits	348,649	—	—	6,379	107,326	—	462,354
Due to related parties – long-term	158,464	—	—	—	—	(29,733)	128,731
Other noncurrent liabilities	2,309	—	793	—	46,541	(12,296)	37,347
Total liabilities	1,460,711	230,662	38,163	55,588	388,796	(103,870)	2,070,050
Deferred inflows of resources:							
Deferred inflows of resources related to pensions	427,657	—	—	10,342	96,367	—	534,366
Deferred inflows of resources related to other postemployment benefits	74,493	—	—	2,108	35,544	—	112,145
Other deferred inflows of resources	50,956	—	—	—	—	(10,528)	40,428
Net position:							
Net investment in capital assets	302,420	—	5,462	2,493	12,904	402	323,681
Nonexpendable, restricted	3,407	—	—	—	—	—	3,407
Expendable, restricted	7,449	—	—	—	—	—	7,449
Unrestricted	221,824	—	7,547	26,336	(35,619)	(402)	219,686
Total net position	535,100	—	13,009	28,829	(22,715)	—	554,223
Total liabilities, deferred inflows of resources, and net position	$ 2,548,917	230,662	51,172	96,867	497,992	(114,398)	3,311,212

See accompanying independent auditors' report.

UW MEDICINE SELECT UNITS – UW DIVISION

Combining Statement of Net Position

June 30, 2021

(Dollar amounts in thousands)

	UW Medical Center	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Current assets:							
Cash and cash equivalents	$ 2,295	51,495	10,767	4,324	—	—	68,881
Funds held by the University of Washington	128,151	—	—	19,863	63,183	—	211,197
Patient accounts receivable, net	275,382	—	2,195	10,020	—	—	287,597
Other receivables	21,801	485	2,121	1,157	929	(18)	26,475
Due from related parties	32,588	8,570	2,248	—	37,590	(42,057)	38,939
Supplies inventory	35,074	—	585	—	—	—	35,659
Other current assets	13,536	12,437	55	124	10,616	(8,935)	27,833
Total current assets	508,827	72,987	17,971	35,488	112,318	(51,010)	696,581
Noncurrent assets:							
Capital assets, net of accumulated depreciation	607,327	1,242	9,979	2,884	141,064	—	762,496
Right-to-use lease assets, net of accumulated amortization	140,572	4,403	20,445	51,197	14,038	(9,904)	220,751
Funds held by the University of Washington	246,352	—	—	—	—	—	246,352
Investments	—	143,510	—	—	—	—	143,510
Donor restricted assets	10,336	—	—	—	—	—	10,336
Investment in Seattle Cancer Care Alliance	259,279	—	—	—	—	—	259,279
Other assets	70,844	—	159	381	82,079	(64,749)	88,714
Total noncurrent assets	1,334,710	149,155	30,583	54,462	237,181	(74,653)	1,731,438
Total assets	1,843,537	222,142	48,554	89,950	349,499	(125,663)	2,428,019
Deferred outflows of resources:							
Deferred outflows of resources related to pensions	96,554	—	—	2,345	26,590	—	125,489
Deferred outflows of resources related to other postemployment benefits	132,161	—	—	2,387	36,096	—	170,644
Other deferred outflows of resources	4,555	—	—	—	—	—	4,555
Total assets and deferred outflows of resources	$ 2,076,807	222,142	48,554	94,682	412,185	(125,663)	2,728,707

UW MEDICINE SELECT UNITS – UW DIVISION

Combining Statement of Net Position

June 30, 2021

(Dollar amounts in thousands)

	UW Medical Center	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Current liabilities:							
Accounts payable and accrued expenses	$ 56,808	4,742	480	2,223	35,799	—	100,052
Accrued salaries, wages, and employee benefits	82,187	21,030	2,633	1,872	29,744	—	137,466
Payable to contractual agencies	58,418	—	—	—	—	—	58,418
Due to related parties	51,012	22,661	5,782	3,706	60,118	(41,821)	101,458
Medicare advance payments	83,187	12,091	—	247	—	—	95,525
Current portion of long-term debt	19,659	—	5,369	—	6,184	—	31,212
Current portion of lease liabilities	9,359	1,488	4,210	14,716	2,312	(1,335)	30,750
Other current liabilities	3,599	3,167	39	842	17,042	(7,618)	17,071
Clinical medicine fund and departmental payables	—	152,356	—	—	—	—	152,356
Total current liabilities	364,229	217,535	18,513	23,606	151,199	(50,774)	724,308
Noncurrent liabilities:							
Long-term debt, net of current portion	326,726	—	419	—	103,937	—	431,082
Long-term lease liabilities	136,087	4,148	19,184	36,741	12,644	(8,782)	200,022
Net pension liabilities	142,697	—	—	4,217	29,888	—	176,802
Other postemployment benefits	325,589	—	—	5,973	82,134	—	413,696
Due to related parties – long-term	178,273	—	—	—	—	(39,542)	138,731
Other noncurrent liabilities	16,676	459	—	—	60,059	(16,661)	60,533
Total liabilities	1,490,277	222,142	38,116	70,537	439,861	(115,759)	2,145,174
Deferred inflows of resources:							
Deferred inflows of resources related to pensions	63,890	—	—	1,818	34,863	—	100,571
Deferred inflows of resources related to other postemployment benefits	89,974	—	—	2,502	37,514	—	129,990
Other deferred inflows of resources	37,896	—	—	—	—	(9,904)	27,992
Net position:							
Net investment in capital assets	256,068	—	6,536	2,625	30,025	213	295,467
Nonexpendable, restricted	4,188	—	—	—	—	—	4,188
Expendable, restricted	6,148	—	—	—	—	—	6,148
Unrestricted	128,366	—	3,902	17,200	(130,078)	(213)	19,177
Total net position	394,770	—	10,438	19,825	(100,053)	—	324,980
Total liabilities, deferred inflows of resources, and net position	$ 2,076,807	222,142	48,554	94,682	412,185	(125,663)	2,728,707

See accompanying independent auditors' report.

UW MEDICINE SELECT UNITS – UW DIVISION

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2022

(Dollar amounts in thousands)

	UW Medical Center	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Operating revenue:							
Net patient service revenues	$ 1,819,829	—	—	63,304	—	—	1,883,133
UWP billing revenues, net	—	395,887	—	—	—	(4,084)	391,803
Other revenue	154,849	—	68,689	1,330	375,576	(314,011)	286,433
Total operating revenues	1,974,678	395,887	68,689	64,634	375,576	(318,095)	2,561,369
Operating expenses:							
Salaries and wages	700,730	238,030	24,716	16,476	171,628	—	1,151,580
Employee benefits	77,902	30,984	8,138	1,825	29,805	—	148,654
Purchased services	586,357	71,717	25,487	18,935	93,670	(282,817)	513,349
Supplies	470,095	82	8,206	4,423	6,919	(5,469)	484,256
Other	37,506	54,591	4,103	2,606	18,388	(28,207)	88,987
Depreciation and amortization	68,048	1,578	5,939	15,710	28,402	(1,602)	118,075
Total operating expenses	1,940,638	396,982	76,589	59,975	348,812	(318,095)	2,504,901
Income (loss) from operations	34,040	(1,095)	(7,900)	4,659	26,764	—	56,468
Nonoperating revenues (expenses):							
Investment income	2,637	—	—	39	—	—	2,676
Interest expense	(20,487)	(89)	(612)	(802)	(4,865)	219	(26,636)
Funding to affiliates	(18,804)	—	—	—	(65,032)	6,914	(76,922)
Funding from affiliates	1,000	—	—	—	123,074	(1,709)	122,365
Federal stimulus funding	9,088	1,184	—	4,963	—	—	15,235
Equity earnings from Investment in Seattle Cancer Care Alliance	22,910	—	—	—	—	—	22,910
Other, net	54,664	—	4,576	145	(2,604)	(31)	56,750
Nonoperating revenues (expenses), net	51,008	1,095	3,964	4,345	50,573	5,393	116,378
Income (loss) before capital contributions and other transfers	85,048	—	(3,936)	9,004	77,337	5,393	172,846
Capital contributions and other transfers	55,282	—	6,507	—	1	(5,393)	56,397
Increase in net position	140,330	—	2,571	9,004	77,338	—	229,243
Net position – beginning of the year	394,770	—	10,438	19,825	(100,053)	—	324,980
Net position – end of year	$ 535,100	—	13,009	28,829	(22,715)	—	554,223

See accompanying independent auditors’ report.

UW MEDICINE SELECT UNITS – UW DIVISION

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2021

(Dollar amounts in thousands)

	UW Medical Center	UWP	Neighborhood Clinics	Airlift	Shared services	Eliminating entries	Combined
Operating revenue:							
Net patient service revenues	$ 1,725,111	—	—	52,278	—	—	1,777,389
UWP billing revenues, net	—	371,424	—	—	—	(4,385)	367,039
Other revenue	181,472	—	69,708	1,354	378,267	(309,119)	321,682
Total operating revenues	1,906,583	371,424	69,708	53,632	378,267	(313,504)	2,466,110
Operating expenses:							
Salaries and wages	593,124	220,802	22,127	14,632	148,787	—	999,472
Employee benefits	160,804	28,709	7,561	3,594	37,624	—	238,292
Purchased services	542,057	64,032	26,240	15,126	127,968	(281,297)	494,126
Supplies	463,035	84	5,419	2,288	7,534	(3,551)	474,809
Other	41,203	59,021	3,692	1,829	19,622	(27,103)	98,264
Depreciation and amortization	66,328	1,605	5,939	15,903	23,194	(1,512)	111,457
Total operating expenses	1,866,551	374,253	70,978	53,372	364,729	(313,463)	2,416,420
Income (loss) from operations	40,032	(2,829)	(1,270)	260	13,538	(41)	49,690
Nonoperating revenues (expenses):							
Investment income	2,667	—	—	26	—	—	2,693
Interest expense	(19,853)	(115)	(565)	(1,022)	(3,955)	233	(25,277)
Funding to affiliates	(15,169)	—	—	—	(57,227)	2,154	(70,242)
Funding from affiliates	—	—	—	—	74,038	(954)	73,084
Federal stimulus funding	32,006	2,569	—	—	—	—	34,575
Equity earnings from Investment in Seattle Cancer Care Alliance	50,837	—	—	—	—	—	50,837
Other, net	57,315	375	368	1,694	(1,628)	(192)	57,932
Nonoperating revenues (expenses), net	107,803	2,829	(197)	698	11,228	1,241	123,602
Income (loss) before capital contributions and other transfers	147,835	—	(1,467)	958	24,766	1,200	173,292
Capital contributions and other transfers	27,088	—	1,500	75	2,683	(1,200)	30,146
Increase in net position	174,923	—	33	1,033	27,449	—	203,438
Net position – beginning of the year	219,847	—	10,405	18,792	(127,502)	—	121,542
Net position – end of year	$ 394,770	—	10,438	19,825	(100,053)	—	324,980

See accompanying independent auditors' report.

University of Washington Metropolitan Tract

Financial Statements
Years Ended June 30, 2022 and 2021

University of Washington Metropolitan Tract

Financial Statements

Years Ended June 30, 2022 and 2021

University of Washington Metropolitan Tract

Contents

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Independent Auditor's Report

To the Board of Regents
University of Washington
Seattle, Washington

Opinion

We have audited the financial statements of the University of Washington Metropolitan Tract, a department of the University of Washington, which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University of Washington Metropolitan Tract as of June 30, 2022 and 2021, and the changes in its financial net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University of Washington Metropolitan Tract's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Washington Metropolitan Tract's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University of Washington Metropolitan Tract's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the University of Washington Metropolitan Tract adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The details of property on page 23 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

BDO USA, LLP

October 26, 2022

Financial Statements

University of Washington Metropolitan Tract

Statements of Net Position
(Amounts in Thousands)

Year Ended June 30,	2022	2021 (as Restated)
Assets		
Current Assets		
Cash held in trust	$ **7,828**	$ 4,468
Funds held by the University	**66,895**	68,234
Security deposits - residential	**46**	46
Due from Fairmont Olympic Hotel	**252**	265
Accounts receivable, net of allowance	**293**	1,560
Short-term lease receivable	**34,590**	35,533
Accrued interest receivable	**4,212**	2,465
Other current assets	**544**	430
Total Current Assets	**114,660**	113,001
Property, net	**146,785**	144,537
Long-term lease receivable	**310,847**	329,455
Long-term receivable - LID	**2,522**	2,570
Total Assets	$ **574,814**	$ 589,563
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	$ **4,397**	$ 7,971
Leasehold excise tax payable	**1,772**	1,665
Security deposits - residential	**46**	46
Unearned rent revenue	**1,862**	2,168
Current portion of long-term debt	**830**	811
Total Current Liabilities	**8,907**	12,661
Security deposits - commercial	**4,153**	3,722
Deferred inflow of resources	**331,989**	357,939
Long-term debt, net of current portion	**27,316**	28,146
Total Liabilities	**372,365**	402,468
Net Position		
Invested in capital assets, net of related debt	**118,639**	115,580
Restricted	**83,810**	71,515
Total Net Position	**202,449**	187,095
Total Liabilities and Net Position	$ **574,814**	$ 589,563

See accompanying notes to financial statements.

University of Washington Metropolitan Tract

Statements of Revenues, Expenses, and Changes in Net Position
(Amounts in Thousands)

Year Ended June 30,		**2022**		2021 (as Restated)
Operating Revenues				
Lease revenue	**$**	**61,471**	$	62,632
Total Operating Revenues		**61,471**		62,632
Operating Expenses				
Property operating expenses		**14,290**		12,664
Taxes		**6,367**		10,647
General and administrative		**7,060**		6,460
Property management		**2,267**		2,133
Total Operating Expenses		**29,984**		31,904
Operating Income before Depreciation		**31,487**		30,728
Depreciation		**13,609**		11,837
Net Operating Income		**17,878**		18,891
Other Revenues (Expenses)				
Lease interest revenue		**9,547**		9,757
(Loss)/gain on disposal of property		**(46)**		13
Interest expense		**(987)**		(1,005)
Total Other Revenues		**8,514**		8,765
Net Income		**26,392**		27,656
Transfers				
Transfers from UW Real Estate Office		**962**		937
Distribution to UW Facilities Bond Retirement Account		**(12,000)**		(11,000)
Total Transfers		**(11,038)**		(10,063)
Change in Net Position		**15,354**		17,593
Total Net Position, beginning of year		**187,095**		169,502
Total Net Position, end of year	**$**	**202,449**	$	187,095

See accompanying notes to financial statements.

University of Washington Metropolitan Tract

Statements of Cash Flows
(Amounts in Thousands)

Year Ended June 30,		2022		2021 (as Restated)
Cash Flows from Operating Activities				
Cash received from tenants	$	**56,094**	$	53,464
Payments made to vendors		**(25,826)**		(16,570)
Payments made to the University to reimburse for employees		**(3,217)**		(3,133)
Payments for leasehold excise taxes		**(6,260)**		(10,454)
Net Cash Flows from Operating Activities		**20,791**		23,307
Cash Flows for Capital and Related Financing Activities				
Improvements made to long-lived assets		**(13,734)**		(26,189)
Lease interest from leasing activities		**7,800**		7,344
Principal repayments to University Treasury Department		**(811)**		(796)
Interest paid		**(987)**		(1,005)
Net Cash Flows for Capital and Related Financing Activities		**(7,732)**		(20,646)
Cash Flows for Noncapital Financing Activities				
Funds received from UW Real Estate Office		**962**		937
Distribution to UW Facilities Bond Retirement Account		**(12,000)**		(11,000)
Net Cash Flows for Noncapital Financing Activities		**(11,038)**		(10,063)
Net Change in Cash		**2,021**		(7,402)
Cash, beginning of year		**72,702**		80,104
Cash, end of year	$	**74,723**	$	72,702
Cash in the Statements of Cash Flows is Reported in the Statements of Assets, Liabilities, and Net Position as Follows:				
Cash held in trust	$	**7,828**	$	4,468
Funds held by the University		**66,895**		68,234
Total	$	**74,723**	$	72,702

See accompanying notes to financial statements.

University of Washington Metropolitan Tract

Statements of Cash Flows
(Amounts in Thousands)

Year Ended June 30,		**2022**		2021 (as Restated)
Reconciliation of Net Operating Income to Net Cash Flows from Operating Activities:				
Net operating income	**$**	**17,832**	$	18,904
Adjustments to reconcile net operating income to net cash flows from operating activities:				
Depreciation		**13,609**		11,837
(Loss)/gain on disposal of property		**46**		(13)
Changes in operating assets and liabilities				
Security deposits - residential		**-**		5
Due from Fairmont Olympic Hotel		**13**		447
Accounts receivable		**20,866**		(368,127)
Other current assets		**(114)**		(29)
Accounts payable and accrued expenses		**(31,693)**		361,171
Leasehold excise tax payable		**107**		193
Unearned rent revenue		**(306)**		568
Security deposits payable (residential and commercial)		**431**		(1,649)
Net Cash Flows from Operating Activities	**$**	**20,791**	$	23,307
Noncash Activity				
Purchase of improvements not paid for with cash at year-end	**$**	**2,169**	$	814

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 Ave (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 Ave have underground parking garages and the Puget Sound Plaza is connected to a multi-level parking structure also owned by the University. The University also owns the 91-unit Cobb apartment building.

In 2014, the University entered into a property management agreement with Unico Properties LLC (Unico) to manage all of the office buildings, except the Rainier Tower, and the Cobb Building. Unico subcontracts with Blanton Turner, a residential property manager, to manage the Cobb Building. Wright Runstad Limited Partnership, an entity controlled by Wright Runstad Company (Wright Runstad), was contracted to manage the Rainer Tower due to its proximity to the Rainier Square Site (see below and Note 6).

The University contracted with Unico to perform leasing services for all of the office properties on the Metropolitan Tract.

Rainier Square Site

The Rainier Square was a three-story building completed in 1980 and consisted of 112,000 square feet of retail space. The property underperformed, and in the early 2000s, it was deemed a development site. In May 2014, the University entered into an agreement with WRC Fourth Avenue LLC (WRC), an entity controlled by Wright Runstad, to redevelop the Rainier Square Site (the Predevelopment Agreement). The Predevelopment Agreement commenced on November 1, 2014, and provided WRC the rights to enter into two separate ground leases on the Rainier Square Site with the University, a hotel ground lease, and a mixed use office/residential tower ground lease. On September 12, 2017, the University signed a ground lease with RSQ Tower LLC (an entity controlled by Wright Runstad) (the RSQ Tower Lease), which resulted in the demolition of the original Rainier Square building and the commencement of the development of a 58-story mixed use retail, office, and residential building called the Rainier Square Tower (see Note 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.

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

Basis of Accounting

These financial statements present only the financial position and changes in financial net position of the Metropolitan Tract and do not purport to, and do not, present the financial position of the University of Washington or the changes in its financial net position, including its net pension obligations (and other post-retirement benefit obligations) and related deferred inflows and outflows. The financial statements have been prepared in accordance with governmental accounting principles generally accepted in the United States of America. The financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Newly Implemented Accounting Standards

On July 1, 2021, the Metropolitan Tract implemented GASB Statement No. 87, *Leases* (GASB 87). This Statement changed the accounting and financial reporting for leases, by establishing a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This Statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees are now required to recognize a lease liability and an intangible right-to-use (ROU) lease asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources. As a result of the implementation, the Metropolitan Tract applied the standard retroactively to the fiscal year beginning July 1, 2020.

The effects of reporting GASB 87 in the Metropolitan Tract's financial statements for the year ended June 30, 2021:

	As Previously Reported	Effect of Adoption of GASB 87	As Restated
Assets			
Straight-line rent adjustment	$ 18,565	$ (18,565)	$ -
Rent Receivable	-	364,988	364,988
Total Assets	226,772	346,423	589,563
Liabilities			
Deferred inflow of resources	-	357,939	357,939
Total Liabilities	44,529	357,939	402,468
Total Net Position	$ 184,605	$ 2,490	$ 187,095

The notes to the financial statements for the year ended June 30, 2021 have been restated to reflect the adoption of GASB 87.

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 accounts receivables and deferred inflows of resources in the Statement of Net Position. The deferred inflows 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. The Metropolitan Tract recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received.

- Direct operating expenses related to the properties, including utilities, repairs and maintenance, and security and janitorial costs, are reported as property operating expenses.

- Expenses incurred in the management of the property, including contractual payments, are reported as property management.

- All other indirect expenses not related to the direct operating or property management expenses are recorded as general and administrative.

- Non-operating revenue and expenses are activities that are not related to rental activities, including interest income and interest expense.

Cash Held in Trust

Cash held in trust represents operating cash held in financial institutions for various properties on behalf of the University. Cash balances held in the trust and other cash balances may exceed federally insured limits during the year.

Funds Held by the University

Funds held by the University are funds invested in pooled investments with the University. The University combines most short-term available cash balances from various departments into the invested funds pool, which is primarily composed of U.S. government and agency securities, mortgage rated investments, and asset-backed securities, as well as units in the Consolidated Endowment Fund (CEF), which is a diversified investment fund. The underlying investments in the CEF include emerging market equity securities, developed market equity securities, and fixed income securities.

The University may allocate investment earnings on an annual basis to the departments with qualifying funds in the invested funds pool based on relative amounts invested at a rate determined and approved by the University. For the years ended June 30, 2022 and 2021, the rate determined by the University was zero for both years. Principal amounts invested in the pool are guaranteed by the University.

Security Deposits

Security deposits – residential consists of amounts collected by the Metropolitan Tract from residential tenants in the Cobb Building as security in the event of a lease default. These deposits are required to be retained and segregated from the Metropolitan Tract's operating cash. There are no such requirements for security deposits received by commercial tenants.

In lieu of a security deposit, commercial tenants are permitted to obtain letters of credit to serve as their security deposit. At June 30, 2022 and 2021, these letters of credit amounted to $1,131 thousand and $1,121 thousand, respectively.

Accounts Receivable

Accounts receivable are due from tenants for rent and other reimbursements. The Metropolitan Tract considers all accounts greater than 90 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is generally written off against the allowance. These receivables are generally unsecured and do not bear interest. At June 30, 2022 and 2021, the balance of allowance for uncollectible accounts amounted to $9 thousand and $266 thousand, respectively.

Long-term Receivable - LID

Long-term receivable are amounts due from tenants for certain property tax assessments to be recovered over 20 years (see Note 9).

Due from Fairmont Olympic Hotel

Amounts due from the Fairmont Olympic Hotel consist primarily of leasehold improvement taxes and rent.

Leases

Lessor arrangements are included in accounts receivables and deferred inflows of resources in the Statements of Net Position. Lease receivables represent the 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 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.

Property and Depreciation

Land and buildings are recorded at the appraised values as of November 1, 1954, with subsequent additions at cost, when the assets are placed in service. Tenant and building improvements that have not yet been placed in service as of year-end are recorded as construction in progress (CIP) and are expected to be completed within the next year. Improvements costing over $5 thousand with a useful life greater than one year are capitalized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets generally ranging from 50-60 years, and modernizations are depreciated over the estimated useful lives of 20 years. Tenant improvements are depreciated over the term of the related lease.

The Metropolitan Tract reviews long lived assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable. There were no such impairments during the years ended June 30, 2022 or 2021.

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 2022 and 2021.

Net Position

The Metropolitan Tract's net position is presented as net investment in capital assets, with the remainder considered unrestricted net position. Capital assets consist of land, building, modernizations, furniture, fixtures and equipment, and CIP. The related debt is debt issued to support the acquisition and construction of capital assets and is subtracted from the capital asset balance to arrive at the net investment in capital assets. Unrestricted assets include assets that have no restrictions placed on them, as well as assets that have been internally restricted, if any.

Unearned Rent Revenue

Tenant rent payments received in advance are deferred until the period to which the payments relate.

Transfer from UW Real Estate Office

This amount represents funds that were transferred from the University's Real Estate Office to the Metropolitan Tract.

Distribution to UW Facilities Bond Retirement Account

During the years ended June 30, 2022 and 2021, $12 million and $11 million, respectively were distributed from the Metropolitan Tract to the University's Facilities Bond Retirement Account. The distribution is determined annually based on cash available after consideration of future operating and capital expenses, and adequacy of reserves.

Property Management Fees

Property management fees are included with operating expenses and represent costs paid to Unico, Wright Runstad, and Blanton Turner for services rendered on the properties. The fees are based on a percentage of tenant rent recognized at each property. Total fees paid to Unico and Wright Runstad were $369 thousand and $252 thousand, respectively, for the year ended June 30, 2022. Total fees paid to Unico and Wright Runstad were $357 thousand and $251 thousand, respectively, for the year ended June 30, 2021. Blanton Turner serves as a sub-contractor to Unico for the Cobb Building under the University's property management agreement with Unico.

Lease Commissions

Lease commissions are costs paid to commercial real estate brokers that facilitate the execution of tenant leases. These commissions are expensed as incurred and are included with general and administrative expenses on the statements of revenues, expenses, and changes in net position.

Income Taxes

As part of the University, the Metropolitan Tract is exempt from federal income taxes unless it earns unrelated business income.

Use of Estimates

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

3. Property

Property activity for the years ended June 30, 2022 and 2021, is summarized as follows (amounts in thousands):

Year Ended June 30, 2022	Balance at June 30, 2021	Additions	Transfers and Adjustments	Disposals and Other	Balance at June 30, 2022
Property, not being depreciated					
Land	$ 9,974	$ -	$ -	$ -	$ 9,974
Construction in progress	11,614	15,783	(15,906)	-	11,491
Total Property Not Being Depreciated	21,588	15,783	(15,906)	-	21,465
Property, being depreciated					
Land improvements	793	-	-	-	793
Buildings	77,877	-	-	-	77,877
Tenant improvements	80,883	-	7,216	(3,591)	84,508
Modernizations	174,945	120	8,690	-	183,755
Furniture, fixtures, and equipment	525	-	-	-	525
Total Property Being Depreciated	335,023	120	15,906	(3,591)	347,458
Less: Accumulated Depreciation					
Land improvements	793	-	-	-	793
Buildings	65,713	853	-	-	66,566
Tenant improvements	60,077	5,436	-	(3,545)	61,968
Modernizations	85,293	7,257	-	-	92,550
Furniture, fixtures, and equipment	198	63	-	-	261
Total Accumulated Depreciation	212,074	13,609	-	(3,545)	222,138
Property, net	$ 144,537	$ 2,294	$ -	$ (46)	$ 146,785

Year Ended June 30, 2021	Balance at June 30, 2020	Additions	Transfers and Adjustments	Disposals and Other	Balance at June 30, 2021
Property, not being depreciated					
Land	$ 9,974	$ -	$ -	$ -	$ 9,974
Construction in progress	21,106	26,804	(36,296)	-	11,614
Total Property Not Being Depreciated	31,080	26,804	(36,296)	-	21,588
Property, being depreciated					
Land improvements	793	-	-	-	793
Buildings	77,877	-	-	-	77,877
Tenant improvements	75,735	-	9,303	(4,155)	80,883
Modernizations	147,819	198	26,993	(65)	174,945
Furniture, fixtures, and equipment	538	-	-	(13)	525
Total Property Being Depreciated	302,762	198	36,296	(4,233)	335,023
Less: Accumulated Depreciation					
Land improvements	793	-	-	-	793
Buildings	65,674	70	-	(31)	65,713
Tenant improvements	59,172	5,053	-	(4,148)	60,077
Modernizations	78,690	6,663	-	(60)	85,293
Furniture, fixtures, and equipment	155	51	-	(8)	198
Total Accumulated Depreciation	204,484	11,837	-	(4,247)	212,074
Property, net	$ 129,358	$ 15,165	$ -	$ 14	$ 144,537

4. 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 twenty-five 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 $19.9 million and $22.2 million as of June 30, 2022, and 2021, respectively. Amounts recorded as deferred inflows of resources related to these leases were $331,989 and $357,939 at June 30, 2022 and 2021, respectively. The Metropolitan Tract recognized revenues (rent and interest) related to lease agreements totaling $70.7 million and $71.7 million, as of June 30, 2022, and 2021, respectively.

Future minimum lease payments to be received under lessor agreements as of June 30, 2022 are as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2023	$ 34,590	$ 8,418	$ 43,008
2024	30,590	8,379	38,969
2025	28,285	7,540	35,825
2026	25,682	6,927	32,609
2027	23,230	6,401	29,631
2028 - 2032	36,100	27,990	64,090
2033 - 2037	7,871	24,912	32,783
2038 - 2042	5,404	24,211	29,615
2043 - 2047	6,372	23,749	30,121
2048 - 2052	7,504	23,190	30,694
2053 - 2057	8,860	22,483	31,343
2058 - 2062	10,447	21,629	32,076
2063 - 2067	12,319	20,586	32,905
2068 - 2072	14,521	19,323	33,844
2073 - 2077	17,131	17,776	34,907
2078 - 2082	21,932	14,177	36,109
2083 - 2087	15,925	7,544	23,469
2088 - 2092	16,391	5,117	21,508
2093 - 2097	21,217	2,031	23,248
2098 - 2102	1,066	6	1,072
	$ 345,437	$ 292,389	$ 637,826

5. Fairmont Olympic Hotel Lease

The amended and restated Hotel Lease commenced in May 2019, with the hotel expiring on June 30, 2083 and the garage 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 six percent of the total of gross room revenue plus gross food and beverage revenue for such Lease year, or twelve percent of the gross room revenue only (nothing for gross food and beverage revenue); plus
- Four and four tenths' percent of gross garage revenue; plus
- Twelve percent of gross retail revenue and miscellaneous revenue; plus
- Nine percent of the gross office revenue.

Minimum future rental income under the Hotel Lease is as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2023	$ 478	$ 3,022	$ 3,500
2024	485	3,015	3,500
2025	510	2,990	3,500
2026	527	2,973	3,500
2027	545	2,955	3,500
2028 - 2032	2,991	14,509	17,500
2033 - 2037	3,536	13,964	17,500
2038 - 2042	4,170	13,330	17,500
2043 - 2047	4,917	12,583	17,500
2048 - 2052	5,791	11,709	17,500
2053 - 2057	6,837	10,663	17,500
2058 - 2062	8,062	9,438	17,500
2063 - 2067	9,506	7,994	17,500
2068 - 2072	11,207	6,293	17,500
2073 - 2077	13,219	4,281	17,500
2078 - 2082	15,588	1,912	17,500
2083 - 2087	3,438	62	3,500
	$ 91,807	$ 121,693	$ 213,500

6. Rainier Square Site Redevelopment

RSQ Tower Lease

The RSQ Tower Lease commenced on September 12, 2017, and the existing Rainier Square building was demolished during the year ended June 30, 2018. The RSQ Tower's office portion was completed in December 2020 and the residential portion was completed in June 2021.

The RSQ Tower Lease has an 80-year term, required RSQ Tower LLC to complete development of the approved building in four years, is unsubordinated, and requires minimum ground rent during construction and 8% of adjusted gross revenue from the project thereafter. Minimum rents for the first five years of the lease are to be $413 thousand per lease year, increasing to $1,652 thousand per year for the next five lease years, and continuing after, and adjusted each tenth lease year to 60% of the average annual percentage rents for the previous five lease years, added to the minimum rent payment (beginning with $1,652 thousand). Future minimum lease payments to be received under the lease agreement as of June 30, 2022 are as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2023	$ -	$ 1,446	$ 1,446
2024	-	1,652	1,652
2025	-	1,652	1,652
2026	-	1,652	1,652
2027	-	1,652	1,652
2028 - 2032	-	8,261	8,261
2033 - 2037	843	7,418	8,261
2038 - 2042	1,234	7,027	8,261
2043 - 2047	1,455	6,806	8,261
2048 - 2052	1,712	6,549	8,261
2053 - 2057	2,023	6,238	8,261
2058 - 2062	2,386	5,875	8,261
2063 - 2067	2,813	5,448	8,261
2068 - 2072	3,315	4,946	8,261
2073 - 2077	3,912	4,349	8,261
2078 - 2082	4,613	3,648	8,261
2083 - 2087	5,439	2,822	8,261
2088 - 2092	6,413	1,848	8,261
2093 - 2097	7,837	698	8,535
	$ 43,995	$ 79,987	$ 123,982

In connection with the RSQ Tower Lease, the University executed an Operating Agreement with RSQ Tower LLC that regulates how the Rainier Tower and the lessees of the Rainier Square Tower and the 400 University Building will operate the shared mixed-use space on the Rainier Square block.

400 University

The 400 University Lease commenced on January 1, 2020, with a 77-year term expiring September 7, 2097. The lease required WRC 400 University LLC to complete development of the approved 11-story office building in three years and is unsubordinated. Minimum ground rent during the three lease years is $250,000, $375,000, and $500,000. Upon completion of the building, ground rent converts to the greater of minimum rent or 10% of adjusted gross revenue from the project.

Future minimum lease payments to be received under the lease agreement as of June 30, 2022 are as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2023	$ -	$ 506	$ 506
2024	-	519	519
2025	-	532	532
2026	-	545	545
2027	-	559	559
2028 - 2032	-	3,011	3,011
2033 - 2037	-	3,406	3,406
2038 - 2042	-	3,854	3,854
2043 - 2047	-	4,360	4,360
2048 - 2052	-	4,933	4,933
2053 - 2057	-	5,582	5,582
2058 - 2062	-	6,315	6,315
2063 - 2067	-	7,145	7,145
2068 - 2072	-	8,084	8,084
2073 - 2077	-	9,146	9,146
2078 - 2082	1,731	8,617	10,348
2083 - 2087	7,048	4,660	11,708
2088 - 2092	9,977	3,270	13,247
2093 - 2097	14,446	1,338	15,784
	$ 33,202	$ 76,382	$ 109,584

7. Long-Term Debt

In 2014, the University's Treasury Department issued general revenue bonds, which provided $33.6 million to the Metropolitan Tract and financed the acquisition of the Cobb Building from Unico. The outstanding balance as of June 30, 2022 and 2021, was $28.1 million and $29.0 million, respectively. The effective interest rate over the 30-year term of the loan is 3.49% and the loan matures in December 2044. The loan is unsecured but is expected to be repaid through revenues generated by the Metropolitan Tract properties.

Long-term liability activity is summarized as follows (amounts in thousands):

Year Ended June 30,		**2022**		2021
Beginning Balance	**$**	**28,957**	$	29,753
Reductions		**(811)**		(796)
Total		**28,146**		28,957
Less: Current Portion		**(830)**		(811)
Non-Current Portion	**$**	**27,316**	$	28,146

The following is a summary of future payments (principal and interest) to be paid to the University (amounts in thousands):

Year Ending June 30,		Principal		Interest		Total
2023	$	830	$	965	$	1,795
2024		856		944		1,799
2025		875		920		1,796
2026		905		894		1,799
2027		935		864		1,799
2028 - 2032		5,150		3,835		8,985
2033 - 2037		6,125		2,877		9,001
2038 - 2042		7,355		1,648		9,003
2043 - 2045		5,115		289		5,404
	$	28,146	$	13,235	$	41,381

8. 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 years ended June 30, 2022 and 2021, were $1.2 million and $1.5 million, respectively.

9. City of Seattle Waterfront Local Improvement District (LID)

As part of the City of Seattle (City) waterfront transformation program, the City Council established a LID in 2019 to fund the program. The Metropolitan Tract properties are within the LID. In June 2021, the City passed an ordinance confirming the final assessment roll resulting in the University being assessed approximately $4.5 million. The assessment payment period is 20 years with a discounted prepayment option permitted by August 2021. The University prepaid the assessment in August 2021 at the discounted amount of $4.2 million.

A certain portion of the assessment is recoverable through contracted leasing arrangements. For the year ended June 30, 2022, approximately $2.5 million is recorded as a long-term receivable in the statement of net position.

10. Subsequent Events

Management of the Metropolitan Tract has evaluated subsequent events through the date of these financial statements were available to be issued, which was October 26, 2022.

Supplemental Information

University of Washington Metropolitan Tract

Details of Property
(Amounts in Thousands)

June 30, 2022	Cobb Building	Skinner Building	Puget Sound Plaza	1200 5th Ave	Rainier Tower	Financial Center	Fairmont Olympic Hotel	Fairmont Olympic Garage	Total
Buildings, Tenant Improvements, and Modernizations									
Buildings	$ 752	$ 2,037	$ 9,113	$ 8,413	$ 25,252	$ 16,984	$ 12,535	$ 2,791	$ 77,877
Tenant improvements	-	9,345	15,581	11,275	34,048	14,259	-	-	84,508
Modernizations	44,165	28,326	25,714	18,982	48,018	18,550	-	-	183,755
Construction in progress	250	3,263	951	2,422	4,218	387	-	-	11,491
Furniture, fixtures, and equipment	354	3	11	17	95	45	-	-	525
Total Buildings, Tenant Improvements, and Modernizations	45,521	42,974	51,370	41,109	111,631	50,225	12,535	2,791	358,156
Less: Accumulated Depreciation and Amortization									
Buildings	(752)	(2,037)	(9,113)	(8,413)	(19,149)	(14,012)	(10,392)	(2,698)	(66,566)
Tenant improvements	-	(7,792)	(11,666)	(8,447)	(23,007)	(11,056)	-	-	(61,968)
Modernizations	(18,016)	(17,415)	(15,743)	(12,359)	(16,894)	(12,123)	-	-	(92,550)
Furniture, fixtures, and equipment	(172)	(2)	(8)	(12)	(26)	(41)	-	-	(261)
Total Accumulated Depreciation and Amortization	(18,940)	(27,246)	(36,530)	(29,231)	(59,076)	(37,232)	(10,392)	(2,698)	(221,345)
Net Investment	26,581	15,728	14,840	11,878	52,555	12,993	2,143	93	136,811
Land	-	-	-	-	-	-	-	-	9,974
Land improvements	-	-	-	-	-	-	-	-	793
Less: Accumulated depreciation	-	-	-	-	-	-	-	-	(793)
Net Land and Land Improvements	-	-	-	-	-	-	-	-	9,974
Net Investment Including Land and Land Improvements	$ 26,581	$ 15,728	$ 14,840	$ 11,878	$ 52,555	$ 12,993	$ 2,143	$ 93	$ 146,785

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, 2022 and 2021
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, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
University of Washington
Seattle, Washington

Opinion

We have audited the statement 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 year ended June 30, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statement presents 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 year ended June 30, 2022, in accordance with the cash basis of accounting described in Note 1.

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 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 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 - 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.

Other Matter

The 2021 financial statement of Student Services and Facilities Fees were audited by other auditors, whose report dated December 21, 2021 expressed an unmodified opinion on that statement.

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
December 9, 2022

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,	**2022**	**2021**
Total Cash Receipts	$ 32,874,978	$ 31,911,219
Debt Service		
Principal - ILP - IMA Bonds	(2,196,250)	(2,091,667)
Principal - ILP - Student Facilities Renovation	(3,018,689)	(2,817,436)
Interest - ILP - IMA Bonds	(1,224,750)	(1,329,333)
Interest - ILP - Student Facilities Renovation	(3,918,647)	(4,265,202)
Total Debt Service Payments	(10,358,336)	(10,503,638)
Cash Receipts Available after Debt Service	22,516,642	21,407,581
Other Cash Disbursements		
Hall Health Center	5,413,006	6,415,060
Recreation	3,501,429	3,562,929
Services and Activities Committee Operations & COVID-19 Impact Mitigation	2,124,826	572,546
Student Counseling Center	2,066,903	972,699
Student Activities and Union Facilities	1,713,915	1,678,548
Student Parent Resource Center	1,542,398	1,389,720
Associated Students of the University of Washington	1,266,002	1,136,876
Ethnic Cultural Center and Theatre Complex	1,134,568	1,076,669
Q-Center	572,168	437,965
Graduate and Professional Student Senate	444,377	452,356
Campus Sustainability Fund	387,767	346,478
Student Publications	382,170	371,000
Student Legal Services	311,937	318,296
Student Veteran Life	201,208	195,380
Intellectual House	201,009	145,653
Classroom Support Services	196,016	209,764
Peer Health Education Group	176,482	167,174
D-Center	142,777	141,670
Food Pantry	50,564	35,004
Total Other Cash Disbursements	21,829,522	19,625,787
Excess of cash receipts over cash disbursements before transfers	687,120	1,781,794
Transfers		
Transfer to Recreation for capital projects	(4,500,000)	(3,000,000)
Change in Cash Balances	(3,812,880)	(1,218,206)
Cash Balance, beginning of year	29,361,068	30,579,274
Cash Balance, end of year	$ 25,548,188	$ 29,361,068

See notes to financial statements.

STUDENT SERVICES AND FACILITIES FEES - SEATTLE CAMPUS
Administered by the Division of Student Life of the University of Washington
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 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 during the fiscal year ended June 30, 2022. 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, 2022 and 2021, 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, 2022 and 2021, $600,000 and $957,147, 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, 2022 and 2021, $4,500,000 and $3,000,000, respectively, was transferred from the IMA Bond Fees (included in cash balances held by Student Services and Facilities Fees including IMA bond fee reserves) to Recreation for the IMA locker room and pool upgrade capital projects.

Reclassification - Certain prior year amounts have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported cash flow.

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 $997,208 and $2,091,102 on the last business day of the years ended June 30, 2022 and 2021, respectively.

In June 2022, the Board of Regents accepted proposed disbursements for the year ending June 30, 2023, totaling $20,435,163.

NOTE 3 – INTERNAL LENDING PROGRAM – IMA BONDS

Student Services and Facilities Fees are used to make debt service payments on the Series 2005 Revenue Bonds issued by the University. The debt is managed by the University's Internal Lending Program (ILP).

At June 30, 2022, the principal amount of the debt outstanding was $22,298,750. 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, 2022 and 2021.

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
2023	$ 2,305,833	$ 1,114,938	$ 3,420,771
2024	2,420,417	999,646	3,420,063
2025	2,544,583	878,625	3,423,208
2026	2,669,583	751,396	3,420,979
2027	2,803,750	617,917	3,421,667
2028 - 2030	9,554,584	997,811	10,552,395
	$ 22,298,750	$ 5,360,333	$ 27,659,083

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 Health Center, and the Ethnic Cultural Center, respectively. At June 30, 2022, the principal amount of the debt outstanding on these borrowings was $78,370,077, $5,616,879, and $11,816,040 for the Husky Union Building, the Hall Health Center, and the Ethnic Cultural Center, respectively (total of $95,802,996). The interest rate is reviewed each year and is subject to adjustment by the Board of Regents. The interest rate was reduced from 4.25% to 4.0% effective July 1, 2021. Loan payments began in October 2011 for the Hall Health Center with a 30-year amortization and term. Loan payments began in October 2012 for the Husky Union Building and the Ethnic Cultural Center, also with 30-year amortizations and terms. The final loan payments are due in September 2042. The renovation activity is not included in these financial statements.

Borrowings are being repaid by the Student Facilities Renovation Fees, which are included in the Student Services and Facilities Fees cash receipts at both June 30, 2022 and 2021.

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
2023	$ 3,149,329	$ 3,774,799	$ 6,924,128
2024	3,277,638	3,646,490	6,924,128
2025	3,411,174	3,512,954	6,924,128
2026	3,550,150	3,373,977	6,924,127
2027	3,694,789	3,229,338	6,924,127
2028 - 2032	20,858,381	13,762,256	34,620,637
2033 - 2037	25,468,013	9,152,625	34,620,638
2038 - 2042	30,777,989	3,528,502	34,306,491
2043	1,615,533	10,783	1,626,316
	$ 95,802,996	$ 43,991,724	$ 139,794,720

The ratio of cash receipts to all debt service payments (IMA bonds and ILP debt) for the years ended June 30 were as follows:

2021	3.0 to 1
2022	3.2 to 1

NOTE 5 – SUBSEQUENT EVENTS

Student Services and Facilities Fees has evaluated subsequent events through December 9, 2022, which is the date these financial statements were available to be issued.