UNIVERSITY OF WASHINGTON
INTERNAL LENDING PROGRAM

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

UNIVERSITY OF WASHINGTON
INTERNAL LENDING PROGRAM

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KPMG LLP
Suite 2900
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Independent Auditors' Report

The Board of Regents
University of Washington:

We have audited the accompanying financial statements of the University of Washington Internal Lending Program (Program or ILP), a department of the University of Washington, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Washington Internal Lending Program as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in note 1, the financial statements present only the University of Washington Internal Lending Program and do not purport to, and do not, present fairly the financial position of the University of Washington, as of June 30, 2020 and 2019, the changes in its financial position or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Seattle, Washington
October 22, 2020

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 Internal Lending Program (Program or ILP) for the years ended June 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section. The ILP commenced operations on July 1, 2008 based upon the direction and authority of the University of Washington Board of Regents (Board of Regents). It operates as a program of the University of Washington (University).

The ILP makes loans to internal borrowers at a uniform lending rate. These internal loans are funded through the issuance of University General Revenue debt obligations or through the Capital Asset Pool (CAP). The ILP finances capital projects with maturities up to 30 years.

The internal loan portfolio consists of loans to internal units, while the external debt portfolio comprises short-term and long-term debt obligations of the institution. The external debt portfolio is actively managed to reduce the institution's cost of capital and to achieve stability and predictability in the internal lending rate. Active management of the external debt portfolio entails the possible use of risk-evaluated debt structures and debt management techniques to achieve the lowest risk-adjusted cost of capital consistent with market conditions and institutional credit considerations.

On November 10, 2016, the Board of Regents approved the creation of the Bridge Program. This program was designed to provide short-term bridge funding for gift-funded capital projects at market-based interest rates. The first capital project to use this program was the Computer Science and Engineering (CSE) Building. At the end of fiscal year 2020, there was $236.6 thousand in outstanding Bridge Program loans, entirely from the CSE Building.

The management of the ILP and the external debt portfolio is performed in accordance with policies set forth in the University's Debt Management Policy as approved by the Board of Regents.

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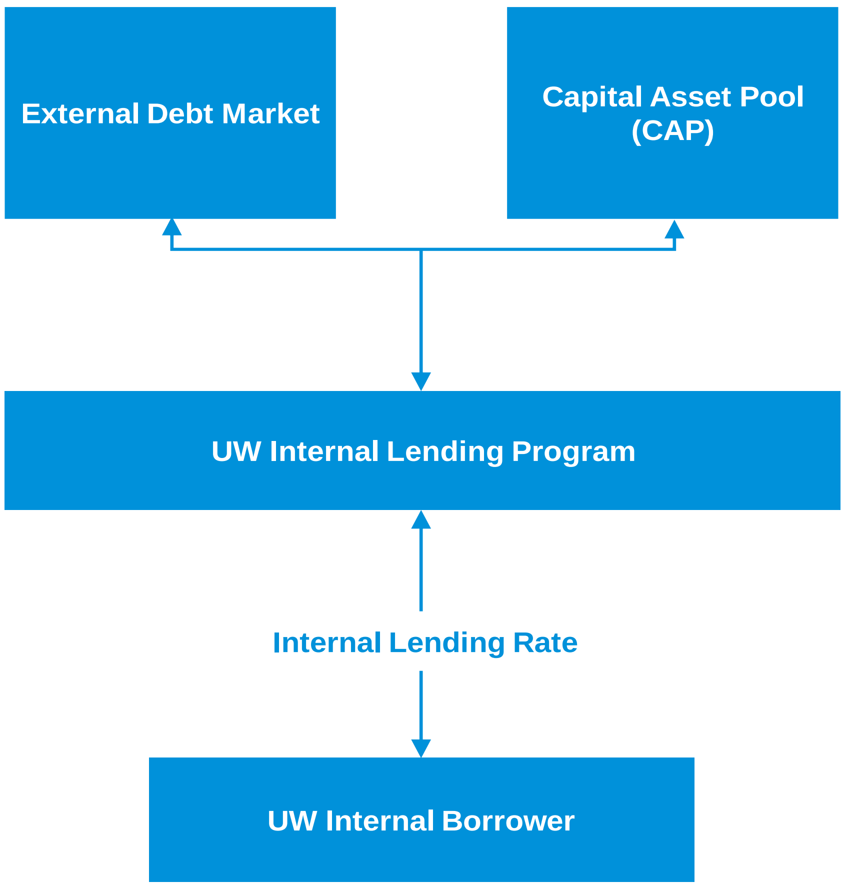
The diagram below outlines the relationship between the University's internal borrowers, the ILP, and the external debt market:



Using the Financial Statements

The ILP'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 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, including public colleges and universities. Information about the financial condition of the ILP is provided in the summaries and explanations that follow.

Statements of Net Position Summary

The statements of net position reflect the financial condition of the ILP at the end of the fiscal year and report the various categories of assets, deferred outflows of resources, liabilities, and net position. The following summary statements of net position show the ILP's total assets, deferred outflows of resources, total liabilities, and net position as of June 30, 2020, 2019, and 2018:

Summary Statements of Net Position

		2020	2019	2018
Current assets	$	249,421,514	218,203,912	209,848,399
Noncurrent assets		1,955,527,001	1,979,717,591	1,997,995,429
Total assets		2,204,948,515	2,197,921,503	2,207,843,828
Deferred outflows of resources		19,619,157	21,075,889	22,463,126
Total assets and deferred outflows of resources	$	2,224,567,672	2,218,997,392	2,230,306,954
Current liabilities	$	110,348,738	122,710,685	190,005,268
Noncurrent liabilities		2,014,309,563	1,975,789,799	1,937,363,927
Total liabilities		2,124,658,301	2,098,500,484	2,127,369,195
Unrestricted net position		99,909,371	120,496,908	102,937,759
Total liabilities and net position	$	2,224,567,672	2,218,997,392	2,230,306,954

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

- As of June 30, 2020, current assets included $99.8 million in cash and cash equivalents in the University of Washington Invested Funds Pool (IFP), $68.8 million in restricted investments of undistributed bond proceeds, and $72.3 million in current internal loan receivables. As of June 30, 2019, current assets included $115.1 million in cash and cash equivalents in the University of Washington IFP, $27.3 million in restricted investments of undistributed bond proceeds, and $68.0 million in current internal loan receivables. In fiscal year 2020, current assets increased by $31.2 million primarily due to an increase in restricted investments resulting from undistributed bond proceeds and an increase in the current portion of internal loan receivables. These amounts were partially offset by a decrease in cash and cash equivalents in the IFP as a result of distributions of ILP reserves to the University. In fiscal year 2019, current assets increased by $8.4 million primarily due to an increase in restricted investments resulting from undistributed bond proceeds and the current portion of internal loan receivables, offset by a decrease in cash and cash equivalents in the IFP as a result of making additional loans to borrowers.
- Noncurrent assets consist entirely of internal loan receivables from participating departments within the University. Noncurrent assets were $24.1 million lower at the end of fiscal year 2020 compared to the end of fiscal year 2019 and $18.3 million lower at the end of fiscal year 2019 compared to the end of fiscal year

(Continued)

2018 as a result of decreased long-term internal lending to various University departments and the collection of outstanding loans.

- Deferred outflows of resources consist entirely of deferred losses on debt refundings. Deferred outflows of resources decreased $1.5 million in fiscal year 2020 compared to the end of fiscal year 2019 and decreased $1.4 million in fiscal year 2019 compared to the end of fiscal year 2018 due to amortization of deferred losses on debt refundings during both fiscal years.
- As of June 30, 2020, current liabilities included $74.3 million in bonds payable and $25.2 million in interest payable. As of June 30, 2019, current liabilities included $68.1 million in bonds payable, $25.0 million in outstanding commercial paper, and $25.1 million in interest payable. Current liabilities decreased by $12.4 million in fiscal year 2020 compared to the end of fiscal year 2019 primarily due to a $25.0 million decrease in commercial paper, partially offset by a $6.1 million increase in both the current portion of bonds payable and amounts due to the University. Current liabilities increased by $67.3 million in fiscal year 2019 compared to the end of fiscal year 2018 primarily due to an increase in commercial paper, partially offset by a decrease in amounts due to the University, which resulted from capital project expenditures made close to year-end.
- Noncurrent liabilities as of June 30, 2020 included $1.9 billion in bonds payable and $128.1 million in CAP payable to the IFP. Noncurrent liabilities as of June 30, 2019 included $1.8 billion in bonds payable and $131.1 million in CAP payable to the IFP. The $38.5 million increase in noncurrent liabilities in fiscal year 2020 compared to the end of fiscal year 2019 and the $38.4 million increase in noncurrent liabilities in fiscal year 2019 compared to the end of fiscal year 2018 resulted primarily from additional external borrowing by the ILP.

ILP's Net Position

Unrestricted net position includes all funds available to the ILP for any purpose associated with the University's mission. Unrestricted net position is primarily designated for future internal loans. Net position decreased by $20.6 million, or 17%, during fiscal year 2020 compared to the end of fiscal year 2019 primarily as a result of a distribution of ILP reserves to the University. Net position increased by $17.6 million, or 17%, during fiscal year 2019 compared to the end of fiscal year 2018. The increase resulted from the ILP collecting more money on interest from internal loans than was paid externally for interest expense.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position presents the ILP's operations and nonoperating revenues and changes in net position. The following summary shows the revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019, and 2018:

Summary Statements of Revenues, Expenses, and Increase in Net Position

		2020	2019	2018
Operating revenues	$	90,319,171	92,450,964	84,805,886
Operating expenses		81,042,619	78,949,534	76,460,974
Operating income		9,276,552	13,501,430	8,344,912
Nonoperating revenues		4,135,911	4,057,719	3,985,401
Transfers of reserves to the University		(34,000,000)	—	—
Change in net position		(20,587,537)	17,559,149	12,330,313
Net position, beginning of year		120,496,908	102,937,759	90,607,446
Net position, end of year	$	99,909,371	120,496,908	102,937,759

The following are comments about the revenues and expenses highlighted in the summary:

- Operating revenues consists of interest collected and accrued on internal loans. Operating revenues decreased by $2.1 million, or 2%, in fiscal year 2020 compared to fiscal year 2019, primarily due to the reduction of the ILP lending rate from 4.50% to 4.25% effective May 1, 2020. Operating revenues increased by $7.6 million, or 9%, in fiscal year 2019 compared to fiscal year 2018, primarily due to the increase in the number of internal loans earning interest in fiscal year 2019 compared to fiscal year 2018.
- Nonoperating revenues in fiscal year 2020 were largely in line with the prior year comparative period. In fiscal year 2020, nonoperating revenues included $0.5 million in net investment income earned on unspent bond proceeds and $3.7 million in Build America Bonds (BABs) grant revenue. In fiscal year 2019, nonoperating revenues included $0.4 million in net investment income and $3.6 million in BABs grant revenue.
- In fiscal year 2020, operating expenses included $76.9 million in interest paid and accrued on outstanding bonds and commercial paper compared to $74.6 million in interest paid and accrued on outstanding bonds and commercial paper in fiscal year 2019. Interest expense increased by $2.3 million in fiscal year 2020 compared to fiscal year 2019 as a result of additional external borrowings. Expenses to administer the ILP program totaled $4.2 million and $4.4 million for the fiscal years ended 2020 and 2019, respectively. Administrative expenses include fees paid for legal counsel, financial advisory services, rating agencies, underwriter's discount, staff salaries and benefits, and the Provost credit support fee.

- In fiscal year 2020, $34.0 million was distributed from ILP reserves to the University and is included as a nonoperating expense in the Statements of Revenues, Expenses and Changes in Net Position. These funds will primarily be used to fund the UW Finance Transformation (UWFT) program.

Debt Administration

The University is rated Aaa by Moody's and AA+ by Standard & Poor's. At the beginning of each fiscal year, the Board of Regents approves a bond resolution that contains the maximum amount of General Revenue Bonds that the University can issue in the upcoming year. The resolution allows the University to issue bonds to fund approved capital projects and to refund debt for the purposes of debt service savings. During fiscal years 2020 and 2019, the ILP issued $102.0 million and $100.0 million, respectively, in General Revenue Bonds (see note 7).

Moody's and Standard & Poor's have assigned short-term ratings of P-1/A-1+, respectively, to the University's commercial paper program. These are the highest short-term ratings each agency assigns. The University has a $250.0 million commercial paper program and issues commercial paper throughout the year to manage construction cash flow between long-term debt issuances. In fiscal years 2020 and 2019, the ILP issued $15.0 million and $60.0 million, respectively, and paid down $40.0 million and $125.0 million, respectively, in commercial paper.

The ILP provides regular updates on internal loans and external debt as part of its ongoing reporting to the Board of Regents.

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Statements of Net Position

June 30, 2020 and 2019

Assets	**2020**	**2019**
Current assets:		
Cash in the University of Washington Invested Funds Pool	$ 99,785,241	115,109,881
Restricted investments, current	68,837,601	27,274,179
Interest receivable	6,472,059	7,839,323
Other receivable	2,044,722	—
Internal Lending Program receivable, current portion	72,281,891	67,980,529
Total current assets	249,421,514	218,203,912
Noncurrent assets:		
Internal Lending Program receivable, net of current portion	1,955,527,001	1,979,717,591
Total noncurrent assets	1,955,527,001	1,979,717,591
Total assets	2,204,948,515	2,197,921,503
Deferred outflows of resources:		
Loss on refunding	19,619,157	21,075,889
Total assets and deferred outflows of resources	$ 2,224,567,672	2,218,997,392
Liabilities and Net Position		
Liabilities:		
Accounts payable	$ 47,500	9,369
Accrued salaries and vacation payable	95,658	83,453
Interest payable	25,210,009	25,135,434
Due to University of Washington	7,763,461	1,622,062
Commercial paper	—	25,000,000
CAP payable to IFP, current portion	2,980,873	2,750,031
Bonds payable, current portion	74,251,237	68,110,336
Total current liabilities	110,348,738	122,710,685
CAP payable to IFP, net of current portion	128,143,833	131,142,306
Bonds payable, net of current portion	1,886,165,730	1,844,647,493
Total noncurrent liabilities	2,014,309,563	1,975,789,799
Total liabilities	2,124,658,301	2,098,500,484
Net position:		
Unrestricted net position	99,909,371	120,496,908
Total liabilities and net position	$ 2,224,567,672	2,218,997,392

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Interest revenue	$ 90,319,171	92,450,964
Total operating revenues	90,319,171	92,450,964
Operating expenses:		
Interest expense	76,854,233	74,582,102
Administration expenses	4,188,386	4,367,432
Total operating expenses	81,042,619	78,949,534
Operating income	9,276,552	13,501,430
Nonoperating revenues (expenses):		
Grant revenue subsidies	3,655,414	3,643,474
Investment revenue, net of expenses	480,497	414,245
Transfers of reserves to the University	(34,000,000)	—
Total nonoperating revenues (expenses)	(29,864,089)	4,057,719
Change in net position	(20,587,537)	17,559,149
Net position at beginning of year	120,496,908	102,937,759
Net position at end of year	$ 99,909,371	120,496,908

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
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Statements of Cash Flows

Years ended June 30, 2020 and 2019

		2020	**2019**
Cash flows from operating activities:			
Interest received from internal borrowers	$	91,686,435	91,688,778
Loans made to internal borrowers		(51,698,583)	(50,894,555)
Principal received from internal borrowers		71,587,811	64,789,042
Payments for administration expenses		(4,138,050)	(4,443,967)
Net cash provided by operating activities		107,437,613	101,139,298
Cash flows from noncapital financing activities:			
Proceeds from issuance of bonds		106,345,553	108,132,000
Proceeds from the issuance of commercial paper		15,000,000	60,000,000
Build America Bonds grant received		1,610,692	2,892,323
Proceeds from the University		6,141,399	1,558,456
Principal paid on debt		(61,529,668)	(72,685,718)
Principal paid on commercial paper		(40,000,000)	(125,000,000)
Interest paid on debt		(75,247,304)	(73,240,627)
Distributions to the University		(34,000,000)	—
Net cash used in noncapital financing activities		(81,679,328)	(98,343,566)
Cash flows from investing activities:			
Purchases of investments		(130,044,002)	(168,351,647)
Proceeds from sales of investments		88,480,580	142,889,381
Investment income		480,497	416,714
Net cash used in investing activities		(41,082,925)	(25,045,552)
Net decrease in cash and cash equivalents		(15,324,640)	(22,249,820)
Cash and cash equivalents at beginning of year		115,109,881	137,359,701
Cash and cash equivalents at end of year	$	99,785,241	115,109,881
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	$	9,276,552	13,501,430
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Interest expense		76,854,233	74,582,102
Changes in operating assets and liabilities:			
Decrease (increase) in interest receivable		1,367,264	(762,186)
Decrease in Internal Lending Program receivable		19,889,228	13,894,488
Increase (decrease) in accounts payable and accrued liabilities		50,336	(76,536)
Net cash provided by (used in) operating activities	$	107,437,613	101,139,298

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The University of Washington's Internal Lending Program (Program or ILP) is a program of the University of Washington (University). 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 Board of Regents approved the ILP on May 15, 2008, with ILP operations commencing on July 1, 2008.

On July 1, 2008, debt of $576.4 million that was incurred by the University or its units before July 1, 2008 together with restricted investments of $4.9 million were transferred into the ILP at their remaining book values and related receivables from internal borrowers of $571.5 million were established between the internal borrowers and the ILP as of that same date. The internal borrowers pay the same interest rate at which the transferred debt was issued in the external market. Debt noted below was either not transferred or was not transferred at the same interest rate:

- Debt repaid from state-appropriated University funds was not transferred
- Debt issued by an external entity other than the state of Washington on behalf of the University was not transferred
- Personal property capital leases and personal property Certificates of Participation (COP's) were not transferred
- Lines of credit were not transferred
- University of Washington General Revenue Bonds, Series 2007 were transferred at the ILP rate

The ILP makes new loans to internal borrowers at a uniform internal lending rate. These loans are funded through the issuance of University General Revenue Bonds, state of Washington General Obligation Bonds, short-term notes such as commercial paper, the Capital Asset Pool (CAP) or through ILP reserves. The CAP uses University funds to finance capital projects with maturities up to 30 years. The debt issued to fund loans is an obligation of the University; the Program manages the debt on behalf of the University. The ILP program policies include a provision for a rate stabilization reserve and a provision for rate adjustments if necessary.

(b) Basis of Presentation

The financial statements of the ILP have been prepared in accordance with accounting standards established by the Governmental Accounting Standards Board (GASB). The ILP is a department of the University reporting as a special-purpose government engaged in business-type activities (BTA). As such, the ILP presents management's discussion and analysis, statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to financial statements. The financial statements present only the University of Washington's Internal Lending Program and do not purport to, and do not, present fairly the financial position of the University, as of June 30, 2020 and 2019, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

(c) Cash in the University of Washington Invested Funds Pool

The ILP's cash is managed by the University through the Treasurer of the Board of Regents. During 2020 and 2019, the Program's funds on deposit with the University were invested in the University's IFP.

(d) Restricted Investments

Restricted investments represent unspent bond proceeds invested at Northern Trust and invested bond proceeds held by trustees to serve as debt service funds in accordance with the terms of the bond indenture and are stated at amortized cost.

(e) Internal Lending Program Receivable

Internal Lending Program receivable represents amounts owed by participating units in the University to the Program. Any internal loans authorized after the inception of the ILP require a signed financing agreement before funds are released. The agreement is signed by a borrowing unit representative, a representative from the Provost's Office, the Associate Vice President for Treasury, and the Vice President for UW Finance. Loans transferred at the Program's inception do not have a financing agreement. All receivables are from within the University.

(f) Due to University of Washington

Due to University of Washington represents cash paid by the University on behalf of the ILP as a result of the timing of capital expenditures and will be reimbursed by the ILP at a later date.

(g) Unearned Revenue – Build America Bonds

The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) program, which authorized state and local governments to issue BABs as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt bonds. The issuers receive a direct federal subsidy payment for a portion of their borrowing cost on BABs equal to 28% to 35% of the total coupon interest paid to investors. The direct federal subsidy, once earned, is considered a nonexchange transaction separate from the interest payments made by the Program and is recorded in nonoperating revenues when the Program makes its interest payment and all eligibility requirements are met.

(h) Operating Revenues and Expenses

The Program's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing loans to internal borrowers – the Program's primary business. Operating expenses are all expenses incurred to provide loans to internal borrowers. Nonoperating revenues consists of investment revenue generated by the short-term investments the Program holds during the year and BAB federal subsidies.

(Continued)

(i) Federal Income Taxes

As a part of the University, the ILP is exempt from federal income taxes, except to the extent of unrelated business income. The ILP did not incur unrelated business income tax during 2020 and 2019, and accordingly, the financial statements do not include a provision for federal income taxes.

(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 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.

(2) Cash in the University of Washington Invested Funds Pool

Pooled investments held on behalf of the ILP by the University totaling $99.8 million and $115.1 million as of June 30, 2020 and 2019, respectively, are recorded at the ILP's share of the carrying value of the IFP. These funds are available on demand without prior notice or penalty. The IFP was invested as follows at June 30:

	2020	2019
Cash and cash equivalents	5.7 %	3.7 %
Treasuries and agencies	75.8	68.3
Mortgage-related securities	7.1	10.3
Asset-backed debt securities	7.9	10.5
Corporate and other fixed income	3.5	7.2
Total	100.0 %	100.0 %

(3) Concentrations

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

(4) Restricted Investments

Current restricted investments of $68.8 million and $27.2 million as of June 30, 2020 and 2019, respectively, represent unspent bond proceeds. Such amounts are invested at Northern Trust Bank and consist of money market funds, which hold U.S. government securities with remaining maturities of one year or less at the time of purchase and are recorded at amortized cost. Any interest earnings in excess of the arbitrage rate may be subject to rebate to the Internal Revenue Service (IRS). During fiscal years 2020 and 2019, there were no rebatable arbitrage earnings due to the IRS. Restricted investments are classified as current assets based upon the Program's intention to spend down on capital projects during the next fiscal year.

The ILP's restricted investments are managed by the University through the Treasurer of the Board of Regents.

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(5) Internal Lending Program Receivable

Internal Lending Program receivable includes both receivables related to borrowings that were transferred at the time of inception of the Program as well as receivables on new borrowings since inception of the Program. The transferred receivables had fixed rates that ranged from 3.0% to 6.4%. At the time of inception, any new borrowings had a uniform interest rate of 5.50%. Effective April 1, 2015, the ILP interest rate was reduced to 4.75%, and was further reduced to 4.50% effective July 1, 2016. Effective May 1, 2020, the ILP interest rate was reduced to 4.25%.

Estimated repayment schedules related to the ILP receivable balances from participating units as of June 30, 2020 are summarized as follows:

Internal Lending Program Receivable
(Dollars in thousands)

	Central		School of Medicine		University of Washington Medical Center		Student Life	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 22,332	22,934	3,397	1,398	17,119	14,903	5,018	5,629
2022	22,956	22,027	3,569	1,223	17,865	14,071	5,249	5,397
2023	22,857	21,097	3,740	1,042	18,649	13,203	5,491	5,155
2024	22,351	20,191	3,330	857	19,464	12,297	5,744	4,902
2025	20,576	19,355	2,593	712	16,084	11,351	6,012	4,637
2026–2030	113,044	84,186	11,589	1,627	81,062	45,248	34,283	18,799
2031–2035	119,836	60,431	1,404	38	81,910	26,712	23,480	11,933
2036–2040	96,647	35,209	—	—	43,712	12,710	29,029	6,384
2041–2045	79,386	16,816	—	—	34,679	5,547	14,776	733
2046–2051	39,860	2,830	—	—	7,863	182	—	—
Total	$ 559,845	305,076	29,622	6,897	338,407	156,224	129,082	63,569

	Commuter Services		Intercollegiate Athletics		Housing and Dining		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 599	277	3,319	10,029	20,262	28,145	72,046	83,315
2022	625	251	3,462	9,885	21,122	27,256	74,848	80,110
2023	652	224	3,612	9,735	18,642	26,378	73,643	76,834
2024	680	195	4,787	9,559	19,453	25,569	75,809	73,570
2025	709	166	7,166	9,309	20,298	24,725	73,438	70,255
2026–2030	3,520	347	40,766	41,610	114,263	109,642	398,527	301,459
2031–2035	—	—	50,399	31,976	128,885	83,538	405,914	214,628
2036–2040	—	—	62,309	20,067	151,646	54,258	383,343	128,628
2041–2045	—	—	61,660	5,614	134,564	21,126	325,065	49,836
2046–2051	—	—	—	—	40,282	2,989	88,005	6,001
Total	$ 6,785	1,460	237,480	147,784	669,417	403,626	1,970,638	1,084,636

The debt service payments shown above do not include receivables for projects under construction totaling $57.2 million. The ILP does not finalize loan payments until construction is complete.

(6) Commercial Paper

Commercial paper is a short-term borrowing program and is primarily used to manage cash flows for capital projects that are funded with long-term debt. The use of commercial paper will typically increase prior to the issuance of long-term debt and be paid down with the proceeds of the long-term debt. During fiscal year 2020, the University issued $15.0 million in commercial paper and paid off $40.0 million in commercial paper.

Short-Term Debt Payable
(Dollars in thousands)

		Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020
Commercial paper	$	25,000	15,000	(40,000)	—
Total	$	25,000	15,000	(40,000)	—

Short-Term Debt Payable
(Dollars in thousands)

		Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019
Commercial paper	$	90,000	60,000	(125,000)	25,000
Total	$	90,000	60,000	(125,000)	25,000

The Board of Regents has approved the University's $250.0 million commercial paper program in an ongoing resolution. The University may issue commercial paper at any time within the limits of the resolution.

(7) Long-Term Liabilities

Long-term liabilities for the years ended June 30, 2020 and 2019 include State of Washington General Obligation Bonds, University General Revenue Bonds, Revenue Bonds payable from specific revenue streams relating to participating departments, State of Washington COP's, and funds borrowed through the CAP that are payable to the IFP. These obligations have fixed interest rates ranging from 1.3% to 8.0%.

Debt service requirements related to bonds payable and certificates of participation payable at June 30, 2020 were as follows:

Bonds Payable and Certificates of Participation Payable
(Dollars in thousands)

	State of Washington General Obligation Bonds		University of Washington Revenue Bonds		State of Washington Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 8,740	2,432	49,300	80,888	1,870	170	59,910	83,490
2022	9,127	2,040	51,545	78,667	1,440	87	62,112	80,794
2023	9,568	1,568	50,340	79,333	215	18	60,123	80,919
2024	9,946	1,076	52,455	77,200	225	9	62,626	78,285
2025	6,923	652	54,805	74,736	—	—	61,728	75,388
2026–2030	9,491	710	311,000	332,252	—	—	320,491	332,962
2031–2035	—	—	317,625	258,061	—	—	317,625	258,061
2036–2040	—	—	348,671	186,140	—	—	348,671	186,140
2041–2045	—	—	381,965	88,212	—	—	381,965	88,212
2046–2050	—	—	156,110	28,734	—	—	156,110	28,734
Premium	3,217	—	125,470	—	369	—	129,056	—
Total	$ 57,012	8,478	1,899,286	1,284,223	4,119	284	1,960,417	1,292,985

Long-term liabilities activity for the years ended June 30, 2020 and 2019 is summarized as follows:

Long-Term Liabilities
(Dollars in thousands)

	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Current portion June 30, 2020
General obligation bonds payable	$ 62,741	4,941	(13,887)	53,795	8,740
General revenue bonds payable	1,714,911	102,000	(43,095)	1,773,816	49,300
Certificates of participation payable	5,530	—	(1,780)	3,750	1,870
Unamortized premium on bonds	129,576	13,500	(14,020)	129,056	14,341
CAP payable to IFP	133,892	—	(2,767)	131,125	2,981
Total long-term liabilities	$ 2,046,650	120,441	(75,549)	2,091,542	77,232

Long-Term Liabilities
(Dollars in thousands)

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Current portion June 30, 2019
General obligation bonds payable	$ 74,856	—	(12,115)	62,741	8,373
General revenue bonds payable	1,656,441	100,000	(41,530)	1,714,911	43,095
Certificates of participation payable	7,230	—	(1,700)	5,530	1,780
Unamortized premium on bonds	136,155	8,132	(14,711)	129,576	14,862
CAP payable to IFP	136,522	—	(2,630)	133,892	2,750
Total long-term liabilities	$ 2,011,204	108,132	(72,686)	2,046,650	70,860

(a) Issuance Activity

On March 17, 2020, the University issued $102.0 million in General Revenue Bonds, 2020A&B at a premium of $12.8 million. The proceeds were used to fund various projects such as the UW Medicine clinical transformation program (“Destination: One”), as well as construction of the Childbirth Center at UW Medical Center Northwest Campus and renovation of Kincaid Hall. The remainder proceeds was used to pay off $40.0 million in commercial paper. The 2020A&B bonds have coupon rates ranging from 1.31% to 5.00% with average coupon rate of 3.6%. The average life of the 2020 A, B&C bonds is 13.9 years with final maturity on April 1, 2050.

On February 27, 2020 the University entered into a Delayed Delivery Bond Purchase Agreement with BofA Securities, Inc. (the “Purchase Agreement”) in relation to the sale of General Revenue Refunding Bonds, 2020C (Delayed Delivery Bonds). Per the Purchase Agreement, this transaction will be completed and the bonds delivered to the buyer on February 9, 2021 subject to certain closing conditions, some of which are out of the University’s control. The proceeds of the 2020C bonds (par value of $117.8 million plus premium of $26.4 million) will be used to refund existing debt.

On February 7, 2019, the University issued $100.0 million in General Revenue Bonds, 2019A, at a premium of $8.1 million. The proceeds were used to fund various projects such as Clinical Transformation, as well as construction of Life Science building and the Northwest Hospital Childbirth Center. In addition, proceeds were used to pay off $100.0 million in commercial paper. The 2019A bonds coupon rate is 5% for the first three years, after which the bonds have to be remarketed. If the bonds are not remarketed by May 1, 2022, they are subject to the delayed remarketing rate of 8%. The 2019A bonds have an average coupon rate of 7.67%. The average life of the 2019A General Revenue bonds is 3.2 years if the bonds are remarketed. If not remarketed, the average life of the bonds is 29.2 with final maturity on May 1, 2048.

(b) Refunding Activity

On April 29, 2020, the State of Washington refunded General Obligation Bonds totaling $5.5 million (ILP portion) with new bond issuances totaling $4.9 million and premium of $714.8 thousand. The refunded bonds had an average coupon rate of 4.5%; the new bonds' average coupon rate is 5.0%. The refunding both decreased the total debt service payments to be made over the next 6 years and resulted in a total economic gain of $0.7 million.

(c) Prior-Year Defeasance of Debt

In prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the ILP's financial statements. As of June 30, 2019, $0.1 million of bonds outstanding were considered defeased. As of June 30, 2020, no bonds outstanding were considered defeased.

(8) Related-Party Transactions

The University provides support to the Program in the following ways:

- Allows use of the University's buildings and equipment
- Provides administrative and accounting support
- Serves as the purchasing and disbursing agent
- Provides various other operational and support services

All Program receivables are due from borrowers within the University. All due from the University balances are invested in the IFP. All investments are managed by the University Treasury Office.

In fiscal year 2020, $34.0 million was distributed from ILP reserves to the University. These funds will primarily be used to fund the UW Finance Transformation (UWFT) program.

(9) Pension Plan

The University offers the University of Washington Retirement Plan (UWRP), a defined-contribution plan with supplemental payment to beneficiaries, when required. The ILP participates in this plan and is allocated a cost for participation in the plan. The cost is included in the benefits load rate set by the University in calculating its fringe benefit expense and is applied on a per employee basis. These costs were not material for fiscal years 2020 or 2019.

University of Washington Retirement Plan (403(b))

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

403(b) Plan Description – Contributions to the plan are invested by participants in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Employees have at all times a 100% vested interest in their accumulations. Benefits from the plan are available upon separation or retirement at the

 (Continued)

member's option. RCW 28B.10.400 et. seq. assigns the authority to the Board of Regents to establish and amend benefit provisions.

403(b) Plan Funding Policy – Employee contribution rates, based on age, are 5.0%, 7.5% or 10.0% of salary. The University matches the contributions of employees. Within parameters established by the legislature, contribution requirements may be established or amended by the Board of Regents.

(10) Commitments and Contingencies

The Program is subject to claims and lawsuits that are covered by the University's self-insurance fund.

(11) Subsequent Events

On September 10, 2020, the Board of Regents approved a waiver of the Financial Stability Plan's requirements for all the borrowers for fiscal years 2020 and 2021. The Board also approved the deferral of ICA's loan payments on the principal and interest due for Husky Stadium and Husky Ballpark for fiscal year 2021. One year will be added to the final term, with the final payment being due July 1, 2046. Interest will be capitalized over the deferral year and added to the loan. ICA's annual payment post fiscal year 2021 will be approximately $600 thousand higher on average over the remaining term and ICA will pay a total of $15.7 million more in debt service over the life of the loan.

On October 20, 2020, the State of Washington refunded General Obligation Bonds totaling $5.7 million (ILP portion) with new bond issuances totaling $5.2 million and premium of $0.7 million. Both refunded and new bonds have an average coupon rate of 5.0%. The refunding decreased the total debt service payments to be made over the next 2.7 years by $0.7 million and resulted in a total economic gain of $0.7 million.