KPMG

UNIVERSITY OF WASHINGTON
INTERNAL LENDING PROGRAM

Basic Financial Statements

June 30, 2022 and 2021

(With Independent Auditors’ Report Thereon)

UNIVERSITY OF WASHINGTON
INTERNAL LENDING PROGRAM

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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 Internal Lending Program (the Program), 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 Program'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 Program 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 Program 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 Program 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 Program. 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

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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 Program'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 3 through 7 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
October 31, 2022

Discussion and Analysis Prepared by Management

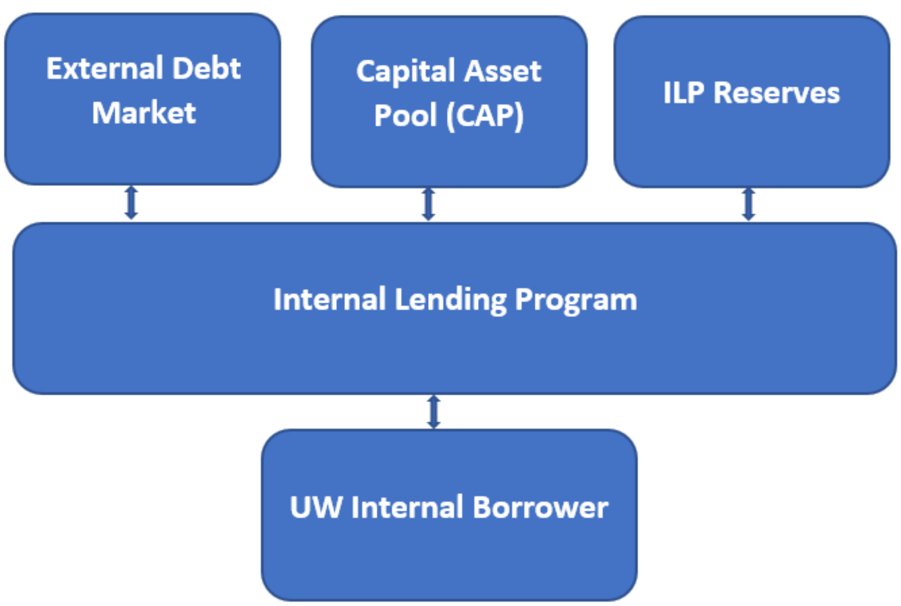
The following discussion and analysis provides an overview of the financial position and activities of the University of Washington Internal Lending Program (Program or ILP) for the years ended June 30, 2022 and 2021. This discussion has been prepared by management and should be read in conjunction with 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 funded through the issuance of University General Revenue debt obligations, the Capital Asset Pool (CAP) or from ILP reserves. The ILP finances capital projects with maturities up to 30 years.

The University has recently added two lending programs that are reflected on the ILP financial statements. The first is the Bridge program, which addresses the timing gap between project expenditures and the receipt of gift funds to accelerate project construction. The second program is called FASTer and makes loans for short-term projects. Both of these programs are currently funded from ILP reserves.

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 University. The external debt portfolio is actively managed to reduce the University's cost of capital and to achieve stability and predictability in the internal lending rate for internal borrowers. 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.

The diagram below outlines the flow of funds into the ILP:



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, deferred inflows of resources and net position. The following summary statements of net position show the ILP's total assets, deferred outflows of resources, total liabilities, total deferred inflows of resources and net position as of June 30, 2022, 2021, and 2020:

Summary Statements of Net Position

	2022	2021	2020
Current assets	$ 301,998,922	221,524,331	249,421,514
Noncurrent assets	1,956,031,129	1,990,884,338	1,955,527,001
Total assets	2,258,030,051	2,212,408,669	2,204,948,515
Deferred outflows of resources	—	12,770,002	19,619,157
Total assets and deferred outflows of resources	$ 2,258,030,051	2,225,178,671	2,224,567,672
Current liabilities	$ 103,322,210	95,846,045	110,348,738
Noncurrent liabilities	2,063,228,654	2,043,852,569	2,014,309,563
Total liabilities	2,166,550,864	2,139,698,614	2,124,658,301
Deferred inflows of resources	1,423,084	—	—
Unrestricted net position	90,056,103	85,480,057	99,909,371
Total liabilities, deferred inflows of resources and net position	$ 2,258,030,051	2,225,178,671	2,224,567,672

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

- As of June 30, 2022, current assets included $94.0 million in cash and cash equivalents in the University of Washington Invested Funds (IF), $109.6 million in restricted investments of undistributed bond proceeds, and $91.2 million in current internal loan receivables. As of June 30, 2021, current assets included $64.2 million in cash and cash equivalents in IF, $68.6 million in restricted investments of undistributed bond proceeds, and $81.7 million in current internal loan receivables. In fiscal year 2022, current assets increased by $80.5 million primarily due to a decrease in distributions of ILP reserves from the prior year to the University and an increase in interest revenues. In fiscal year 2021, current assets decreased by $27.9 million primarily due to a decrease in cash and cash equivalents as a result of distributions of ILP reserves to the University; the decrease was partially offset by an increase in the current portion of internal loan receivables.

- Noncurrent assets consist entirely of internal loan receivables from participating departments within the University. Noncurrent assets were $34.9 million less at the end of fiscal year 2022 compared to the end of fiscal year 2021 as a result of the continuing collection of internal loan receivables. Noncurrent assets were $35.4 million more at the end of fiscal year 2021 compared to the end of fiscal year 2020 as a result of long-term internal lending increases.
- Deferred outflows of resources and deferred inflows of resources consist entirely of deferred gains and losses on debt refundings. Deferred outflows of resources decreased $12.8 million in fiscal year 2022 compared to the end of fiscal year 2021 due to gains on refunding resulting from new debt and decreased $6.8 million in fiscal year 2021 compared to the end of fiscal year 2020 due to gains on refunding resulting from new debt, as well as amortization of deferred gains and losses on debt refundings during both fiscal years. Deferred inflows of resources increased $1.4 million in fiscal year 2022 compared to the end of fiscal year 2021 due to gains on refunding resulting from new debt, as well as amortization of deferred gains and losses on debt refundings.
- As of June 30, 2022, current liabilities included $73.6 million in bonds payable and $18.7 million in interest payable. As of June 30, 2021, current liabilities included $69.8 million in bonds payable and $20.9 million in interest payable. Current liabilities increased by $7.5 million in fiscal year 2022 compared to the end of fiscal year 2021 primarily due to a $6.4 million increase in amounts due to the University related to cash paid by the University on behalf of the ILP as a result of the timing of capital expenditures. Current liabilities decreased by $14.5 million in fiscal year 2021 compared to the end of fiscal year 2020 primarily due to a $6.6 million decrease in amounts due to the University, $4.3 million decrease in the interest payable and $4.4 million decrease in the current portion of bonds.
- Noncurrent liabilities as of June 30, 2022 included $1.9 billion in bonds payable and $135.3 million in CAP payable to the IF. Noncurrent liabilities as of June 30, 2021 included $1.9 billion in bonds payable and $125.0 million in CAP payable to the IF. The $19.4 million increase in noncurrent liabilities in fiscal year 2022 compared to the end of fiscal year 2021 and the $29.5 million increase in noncurrent liabilities in fiscal year 2021 compared to the end of fiscal year 2020 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 increased by $4.6 million, or 5.4%, during fiscal year 2022 compared to the end of fiscal year 2021 driven by a decrease in operating expenses and a decrease in transfers of reserves to the University. Net position decreased by $14.4 million, or 14%, during fiscal year 2021 compared to the end of fiscal year 2020 primarily as a result of a distribution of ILP reserves to the University.

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, 2022, 2021, and 2020:

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

	2022	2021	2020
Operating revenues	$ 83,573,618	78,757,538	90,319,171
Operating expenses	71,772,048	78,882,726	81,042,619
Operating income (loss)	11,801,570	(125,188)	9,276,552
Nonoperating revenues	3,774,476	3,695,874	4,135,911
Transfers of reserves to the University	(11,000,000)	(18,000,000)	(34,000,000)
Change in net position	4,576,046	(14,429,314)	(20,587,537)
Net position, beginning of year	85,480,057	99,909,371	120,496,908
Net position, end of year	$ 90,056,103	85,480,057	99,909,371

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 increased by $4.8 million, or 6%, in fiscal year 2022 compared to fiscal year 2021, primarily compared to an increase in the number of internal loans in fiscal year 2022 compared to fiscal year 2021. Operating revenues decreased by $11.6 million, or 13%, in fiscal year 2021 compared to fiscal year 2020, due to the Intercollegiate Athletics (ICA) internal loan repayment deferral and the reduction of the ILP lending rate from 4.50% to 4.25% effective May 1, 2020.
- Nonoperating revenues includes Build America Bonds (BABs) grant revenue and net investment income. In fiscal year 2022, nonoperating revenues included $3.7 million in BABs grant revenue and $63 thousand in net investment income earned on unspent bond proceeds. In fiscal year 2022, transfers of reserves to the University included $11 million which was distributed from ILP reserves to the University mainly to support Intercollegiate Athletics operations and in paying debt service. In fiscal year 2021, $18 million was distributed from ILP reserves to the University mainly to fund UW Finance Transformation (UWFT).

(Continued)

- In fiscal year 2022, operating expenses included $66.9 million in interest paid and accrued on outstanding bonds compared to $74.2 million in interest paid and accrued on outstanding bonds and commercial paper in fiscal year 2021. Interest expense decreased by $7.3 million in fiscal year 2022 compared to fiscal year 2021 as a result of long-term debt refundings. Expenses to administer the ILP program totaled $4.9 million and $4.7 million for the fiscal years ended 2022 and 2021, 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.

Debt Administration

The University is rated Aaa (stable) by Moody's and AA+(stable) by Standard & Poor's. 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 to fund projects. The resolution also allows the University to refund debt for the purposes of economic benefit and/or the remarketing of put or terms bonds from time to time. During fiscal years 2022 and 2021, the ILP issued $364.7 million and $444.6 million, respectively, in General Revenue and Refunding 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 cash flows between long-term debt issuances. In fiscal year 2022, the ILP did not issue any commercial paper. In fiscal year 2021, the ILP issued $25.0 million and paid down $25.0 million in commercial paper.

The University's Treasury Office 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, 2022 and 2021

Assets		**2022**	**2021**
Current assets:			
Cash in the University of Washington Invested Funds Pool	$	94,034,087	64,248,573
Restricted investments, current		109,646,418	68,603,188
Interest receivable		6,855,437	6,986,676
Other receivable		215,263	—
Internal Lending Program receivable, current portion		91,247,717	81,685,894
Total current assets		301,998,922	221,524,331
Noncurrent assets:			
Internal Lending Program receivable, net of current portion		1,956,031,129	1,990,884,338
Total noncurrent assets		1,956,031,129	1,990,884,338
Total assets		2,258,030,051	2,212,408,669
Deferred outflows of resources:			
Loss on refunding		—	12,770,002
Total assets and deferred outflows of resources	$	2,258,030,051	2,225,178,671
Liabilities and Net Position			
Liabilities:			
Accounts payable	$	42,500	25,538
Accrued salaries and vacation payable		182,823	143,987
Interest payable		18,670,511	20,867,758
Unearned revenue – Build America Bonds		—	758,389
Due to University of Washington		7,550,312	1,120,325
CAP payable to IF, current portion		3,294,984	3,109,571
Bonds payable, current portion		73,581,080	69,820,477
Total current liabilities		103,322,210	95,846,045
CAP payable to IF, net of current portion		135,303,486	125,034,261
Bonds payable, net of current portion		1,927,925,168	1,918,818,308
Total noncurrent liabilities		2,063,228,654	2,043,852,569
Total liabilities		2,166,550,864	2,139,698,614
Deferred inflows of resources:			
Gain on refunding		1,423,084	—
Net position:			
Unrestricted net position		90,056,103	85,480,057
Total liabilities, deferred inflows of resources and net position	$	2,258,030,051	2,225,178,671

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, 2022 and 2021

		2022	2021
Operating revenues:			
Interest revenue	$	83,573,618	78,757,538
Total operating revenues		83,573,618	78,757,538
Operating expenses:			
Interest expense		66,898,883	74,174,709
Administration expenses		4,873,165	4,708,017
Total operating expenses		71,772,048	78,882,726
Operating income (loss)		11,801,570	(125,188)
Nonoperating revenues (expenses):			
Grant revenue subsidies		3,711,763	3,681,184
Investment revenue, net of expenses		62,713	14,690
Transfers of reserves to the University		(11,000,000)	(18,000,000)
Total nonoperating revenues (expenses)		(7,225,524)	(14,304,126)
Change in net position		4,576,046	(14,429,314)
Net position at beginning of year		85,480,057	99,909,371
Net position at end of year	$	90,056,103	85,480,057

See accompanying notes to financial statements.

UNIVERSITY OF WASHINGTON
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Statements of Cash Flows

Years ended June 30, 2022 and 2021

		2022	2021
Cash flows from operating activities:			
Interest received from internal borrowers	$	83,704,857	78,242,921
Loans made to internal borrowers		(69,897,777)	(114,021,180)
Principal received from internal borrowers		95,188,473	69,259,840
Payments for administration expenses		(4,816,677)	(4,681,650)
Net cash provided by operating activities		104,178,876	28,799,931
Cash flows from noncapital financing activities:			
Proceeds from issuance of bonds		390,440,118	484,448,407
Proceeds from the Invested Funds (CAP Program)		13,612,100	—
Proceeds from the issuance of commercial paper		—	25,000,000
Build America Bonds grant received		2,738,111	6,484,295
Proceeds from (payments to) the University		6,429,987	(6,643,137)
Principal paid on debt		(354,288,767)	(444,227,363)
Principal paid on commercial paper		—	(25,000,000)
Interest paid on debt		(81,344,395)	(86,647,905)
Distributions to the University		(11,000,000)	(18,000,000)
Net cash used in noncapital financing activities		(33,412,846)	(64,585,703)
Cash flows from investing activities:			
Purchases of investments		(91,685,057)	(128,475,269)
Proceeds from sales of investments		50,641,828	128,709,683
Investment income		62,713	14,690
Net cash provided by (used in) investing activities		(40,980,516)	249,104
Net increase (decrease) in cash and cash equivalents		29,785,514	(35,536,668)
Cash and cash equivalents at beginning of year		64,248,573	99,785,241
Cash and cash equivalents at end of year	$	94,034,087	64,248,573
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$	11,801,570	(125,188)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Interest expense		66,898,883	74,174,709
Changes in operating assets and liabilities:			
Decrease (increase) in interest receivable		131,239	(514,617)
Decrease (increase) in Internal Lending Program receivable		25,291,386	(44,761,340)
Increase in accounts payable and accrued liabilities		55,798	26,367
Net cash provided by operating activities	$	104,178,876	28,799,931

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 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 (COPs) 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 or short-term Bridge loans. The debt issued to fund loans is an obligation of the University; the Program manages the debt on behalf of the University. The Debt Management Policy includes 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 financial statements of the Program 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 Program. 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. 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 UW Investment Management Company (UWINCO). During 2022 and 2021, the Program's funds on deposit with the University were invested in the University's IF.

(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 of 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, the Provost, the Vice Provost for Planning and Budgeting, 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 units 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.

(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 2022 and 2021, 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.

(k) Reclassifications

Certain amounts in the 2021 statements of cash flows have been reclassified for comparative purposes to conform to the presentation in the 2022 financial statements.

(2) Cash in the University of Washington Invested Funds

Pooled investments held on behalf of the ILP by the University totaling $94.0 million and $64.2 million as of June 30, 2022 and 2021, respectively, are recorded at the ILP's share of the carrying value of the IF. These funds are available on demand without prior notice or penalty. The IF was invested as follows at June 30:

	2022	2021
Cash and cash equivalents	4.5 %	4.9 %
Treasuries and agencies	65.7	68.6
Mortgage-related securities	5.2	6.2
Asset-backed debt securities	18.5	14.5
Corporate and other fixed income	6.1	5.8
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 $109.6 million and $68.6 million as of June 30, 2022 and 2021, 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 2022 and 2021, 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 held in the Invested Funds portfolio under UWINCO management.

(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%, and effective July 1, 2021, the ILP rate was reduced to 4.00%.

Estimated repayment schedules related to the ILP receivable balances from participating units as of June 30, 2022 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
2023	$ 32,554	20,409	3,740	1,042	27,309	12,461	6,134	4,913
2024	23,067	19,495	3,330	857	28,444	11,580	6,404	4,664
2025	21,269	18,681	2,593	712	25,396	10,663	6,691	4,405
2026	22,096	17,905	2,710	586	26,065	9,919	6,985	4,133
2027	22,685	17,101	2,832	454	25,338	9,163	7,283	3,850
2028–2032	120,687	72,453	7,451	625	141,637	35,217	33,516	14,760
2033–2037	119,091	48,576	—	—	99,153	18,580	25,468	9,153
2038–2042	84,594	26,904	—	—	37,138	8,961	30,778	3,529
2043–2047	77,058	9,993	—	—	28,933	2,424	1,616	11
2048–2052	13,295	561	—	—	—	—	—	—
Total	$ 536,396	252,078	22,656	4,276	439,413	118,968	124,875	49,418

	Commuter Services		Intercollegiate Athletics		Housing and Dining		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 657	210	—	9,778	19,159	24,794	89,553	73,607
2024	683	184	—	9,778	19,944	24,010	81,872	70,568
2025	711	156	—	9,778	20,761	23,195	77,421	67,590
2026	740	127	8,065	9,630	21,609	22,345	88,270	64,645
2027	770	97	8,393	9,301	22,496	21,461	89,797	61,427
2028–2032	1,994	101	47,384	41,089	123,670	92,890	476,339	257,135
2033–2037	—	—	57,857	30,616	134,364	67,151	435,933	174,076
2038–2042	—	—	70,645	17,828	160,076	37,652	383,231	94,874
2043–2047	—	—	52,101	3,415	90,381	10,380	250,089	26,223
2048–2052	—	—	—	—	15,074	380	28,369	941
Total	$ 5,555	875	244,445	141,213	627,534	324,258	2,000,874	891,086

The debt service payments shown above do not include receivables for projects under construction totaling $46.4 million. Final amortization schedules are prepared when construction is complete.

(6) Commercial Paper

Commercial paper is a short-term borrowing vehicle 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 2022, the University did not issue any commercial paper for use in the ILP. During fiscal year 2021, the University issued $25.0 million in commercial paper and paid $25.0 million in commercial paper.

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, 2022 and 2021 include state of Washington General Obligation Bonds, University General Revenue Bonds, state of Washington COP's, and funds borrowed through the CAP that are payable to the IF. These obligations have fixed interest rates ranging from 0.2% to 8.0%.

Debt service requirements related to bonds payable and certificates of participation payable at June 30, 2022 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
2023	$ 9,434	1,392	49,060	69,671	215	18	58,709	71,081
2024	9,719	1,024	50,486	68,852	225	9	60,430	69,885
2025	6,679	613	65,023	66,933	—	—	71,702	67,546
2026	2,934	338	68,762	64,937	—	—	71,696	65,275
2027	3,068	196	71,311	62,676	—	—	74,379	62,872
2028–2032	3,167	125	371,912	274,471	—	—	375,079	274,596
2033–2037	—	—	338,302	208,524	—	—	338,302	208,524
2038–2042	—	—	433,135	122,526	—	—	433,135	122,526
2043–2047	—	—	265,405	44,130	—	—	265,405	44,130
2048–2052	—	—	114,890	6,658	—	—	114,890	6,658
Premium	1,893	—	135,822	—	64	—	137,779	—
Total	$ 36,894	3,688	1,964,108	989,378	504	27	2,001,506	993,093

(Continued)

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

Long-Term Liabilities
(Dollars in thousands)

	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022	Current portion June 30, 2022
General obligation bonds payable	$ 44,298	7,014	(16,311)	35,001	9,434
General revenue and refunding bonds payable	1,796,956	364,710	(333,380)	1,828,286	49,060
Certificates of participation payable	1,880	—	(1,440)	440	215
Unamortized premium on bonds	145,505	25,357	(33,082)	137,780	14,646
CAP payable to IF	128,144	13,612	(3,158)	138,598	3,295
Total long-term liabilities	$ 2,116,783	410,693	(387,371)	2,140,105	76,650

Long-Term Liabilities
(Dollars in thousands)

	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021	Current portion June 30, 2021
General obligation bonds payable	$ 53,795	8,435	(17,932)	44,298	9,011
General revenue and refunding bonds payable	1,773,816	444,585	(421,445)	1,796,956	42,990
Certificates of participation payable	3,750	—	(1,870)	1,880	1,440
Unamortized premium on bonds	129,056	50,859	(34,410)	145,505	16,380
CAP payable to IF	131,125	—	(2,981)	128,144	3,110
Total long-term liabilities	$ 2,091,542	503,879	(478,638)	2,116,783	72,931

(a) Issuance and Refunding Activity

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 $199.0 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&B, at a premium of $23.5 million. Part of the proceeds were used to refund existing debt. The amount of refunded bonds was $229.5 million; the amount of refunding bonds was $244.8 million (plus premium of $1.7 million). The refunded bonds had coupon rates ranging from 4.0% to 5.0% with an average coupon of 5.0%; the new bonds have an average coupon of 2.18%. The refunding decreased the total debt service payments to be made over the next 21 years by $48.9 million and resulted in a total economic gain of $50.2 million. The remainder of the proceeds will be used to fund a variety of University's projects. The average life of the 2021A&B General Revenue Bonds is 13.8 years with final maturity on April 1, 2051. The average coupon of these bonds is 2.83%.

On May 11, 2022, the state of Washington refunded General Obligations Bonds totaling $7.3 million (ILP portion) with new bonds issuances totaling $7.0 million and premium of $0.6 million. The refunding deceased the total det service payments to be made of the next 5 years by $0.1 million and resulted in a total economic gain of $0.1 million.

On May 5, 2021, the state of Washington refunded General Obligation Bonds totaling $3.5 million (ILP portion) with new bond issuances totaling $3.3 million and premium of $0.3 million. The refunding decreased the total debt service payments to be made over the next 4 years by $0.4 million and resulted in a total economic gain of $0.4 million.

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.

(b) Prior-Year Defeasance of Debt

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, 2022 and 2021, $414.3 million and $222.3 million, respectively, of bonds outstanding are 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 and are all paid from University revenues. Balances are invested in the IF. All investments are managed by the University Treasury Office.

In fiscal years 2022 and 2021, the ILP distributed to the University $11.0 million and $18.0 million, respectively. These funds will primarily be used to fund the UWFT program and ICA.

On September 10, 2020, the Board of Regents (Board) approved a waiver of Financial Stability Plan requirements for all borrowers for fiscal years 2021 and 2022. 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 was added to the final term, with the final payment being due July 1, 2045. Interest was capitalized over the deferral year and added to the loan. This payment deferral added $10.0 million to ICA’s principal balance. In addition, in fiscal year 2022, the ILP distributed to the ICA $10.0 million for them to pay debt service and support operations. As of June 30, 2022, ICA has a remaining principal balance of $244.4 million payable to the ILP.

(9) Pension Plan

The University offers the University of Washington Retirement Plan (UWRP), a defined-contribution plan with supplemental payments 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 benefit 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 2022 or 2021.

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 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 various claims and lawsuits that are covered by the University’s self-insurance fund, subject to a deductible of $100,000 per occurrence.

(11) Subsequent Event

On August 9, 2022, the University, through an economic defeasance, defeased $9.0 million of the 2042 maturity of the 2021B series. This is related to an early payoff of the School of Dentistry’s ILP loan in July of 2022.