New Issue
Book-Entry Only
Not Bank Qualified

Moody's Rating: Aaa
S&P Global Rating: AA+
(See "OTHER BOND INFORMATION—Ratings")

In the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, under existing law and subject to certain qualifications described herein, interest on the 2020A Bonds and 2020C Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the 2020A Bonds and 2020C Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "TAX MATTERS" herein. Interest on the 2020B Bonds is not intended to be exempt from federal income taxes. See "CERTAIN INCOME TAX CONSEQUENCES RELATING TO THE 2020B BONDS."

UNIVERSITY OF WASHINGTON

$51,000,000 General Revenue Bonds, 2020A	$51,000,000 General Revenue Bonds, 2020B (Taxable)	$117,815,000 General Revenue Refunding Bonds, 2020C (Delayed Delivery Bonds)

Dated: Date of delivery

Maturity Dates: as shown on inside cover and pages ii and iii

The University of Washington (the "University") is issuing its General Revenue Bonds, 2020A (the "2020A Bonds"), General Revenue Bonds, 2020B (Taxable) (the "2020B Bonds") and General Revenue Refunding Bonds, 2020C (Delayed Delivery Bonds) (the "2020C Bonds" and, collectively, the "Bonds") to (a) pay costs of University projects, or to refinance commercial paper issued originally to finance costs of University projects; (b) defease and refund a portion of the University's outstanding General Revenue and Refunding Bonds, 2011A; and (c) pay the costs of issuance.

The Bonds are issuable only as fully registered obligations and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form, in denominations of $5,000 each and integral multiples thereof within a series and maturity. Purchasers will not receive certificates representing their interests in the Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC's Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants, as more fully described in Appendix D.

Interest on the Bonds from their date of delivery is payable on April 1 and October 1 of each year, commencing in the case of the 2020A Bonds and 2020B Bonds on April 1, 2020, and in the case of the 2020C Bonds on April 1, 2021. The fiscal agent of the State of Washington (the "State") is the registrar, authenticating agent and paying agent for the Bonds. The Bonds are subject to redemption prior to maturity as described in this Official Statement.

The Bonds are special fund obligations of the University, payable solely from General Revenues, as defined herein. General Revenues include all non-appropriated income, revenues and receipts of the University if and to the extent such funds are not restricted in their use by law, regulation or contract. The University has no taxing power. The Bonds are not an obligation, either general, special or moral, of the State.

The University reserves the right to include in General Revenues other sources of revenue or income upon compliance with certain conditions, and to exclude items from General Revenues in the future. The University has previously issued bonds and commercial paper notes payable from General Revenues and has entered into lease and other financing arrangements payable from General Revenues. The University may issue additional bonds or enter into leases or other contractual obligations payable from General Revenues without restriction.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Each series of the Bonds is offered when, as and if issued, subject to receipt of the approving legal opinions of Pacifica Law Group LLP. Certain matters will be passed upon for the Underwriters by their counsel, Foster Garvey P.C. It is expected that delivery of the Bonds will be made by Fast Automated Securities Transfer through DTC in New York, New York, on or about March 17, 2020 for the 2020A Bonds and 2020B Bonds, and on or about February 9, 2021 for the 2020C Bonds. ***See "DELAYED DELIVERY OF THE 2020C BONDS" for a discussion regarding the delayed delivery of the 2020C Bonds, certain conditions to the obligation of the Underwriters to purchase the 2020C Bonds and certain risks to owners of the 2020C Bonds resulting from the delayed delivery.***

BofA Securities

Goldman Sachs & Co. LLC **Academy Securities, Inc.** **Citigroup**

Official Statement dated: March 6, 2020

UNIVERSITY OF WASHINGTON

GENERAL REVENUE BONDS, 2020A
$51,000,000

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP* Number
2021	$ 1,065,000	5.000%	0.750%	104.389	91523NTB2
2022	1,115,000	5.000	0.760	108.561	91523NTC0
2023	1,175,000	5.000	0.770	112.680	91523NTD8
2024	1,230,000	5.000	0.770	116.789	91523NTE6
2025	1,295,000	5.000	0.810	120.646	91523NTF3
2026	1,360,000	5.000	0.860	124.311	91523NTG1
2027	1,430,000	5.000	0.900	127.903	91523NTH9
2028	1,500,000	5.000	0.960	131.183	91523NTJ5
2029	1,570,000	5.000	1.040	134.078	91523NTK2
2030	1,650,000	5.000	1.110	136.857	91523NTL0
2031	1,735,000	5.000	1.170†	136.176	91523NTM8
2032	1,825,000	5.000	1.230†	135.500	91523NTN6
2033	1,915,000	5.000	1.270†	135.051	91523NTP1
2034	2,005,000	4.000	1.460†	123.637	91523NTQ9
2035	2,085,000	4.000	1.500†	123.217	91523NTR7
2037	2,170,000	4.000	1.600†	122.175	91523NTS5
2038	2,260,000	4.000	1.640†	121.761	91523NTT3
2039	2,345,000	4.000	1.680†	121.349	91523NTU0
2040	2,445,000	4.000	1.710†	121.041	91523NTV8

$8,405,000, 4.000% Term Bond, due April 1, 2045 (Yield of 1.850%†, Price of 119.614), CUSIP* No. 91523NTW6

$10,420,000, 5.000% Term Bond, due April 1, 2050 (Yield of 1.720%†, Price of 130.122), CUSIP* No. 91523NTX4

† Calculated to the par call date of April 1, 2030.

GENERAL REVENUE BONDS, 2020B (TAXABLE)
$51,000,000

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP* Number
2021	$ 2,295,000	1.309%	1.309%	100.000%	91523NTY2
2022	2,325,000	1.359	1.359	100.000	91523NTZ9
2023	2,360,000	1.396	1.396	100.000	91523NUA2
2024	2,390,000	1.460	1.460	100.000	91523NUB0
2025	2,425,000	1.490	1.490	100.000	91523NUC8
2026	2,465,000	1.569	1.569	100.000	91523NUD6
2027	2,500,000	1.669	1.669	100.000	91523NUE4
2028	2,545,000	1.750	1.750	100.000	91523NUF1
2029	2,590,000	1.850	1.850	100.000	91523NUG9
2030	2,635,000	1.950	1.950	100.000	91523NUH7
2031	2,685,000	2.050	2.050	100.000	91523NUJ3
2032	2,740,000	2.100	2.100	100.000	91523NUK0
2033	2,800,000	2.200	2.200	100.000	91523NUL8
2034	2,860,000	2.250	2.250	100.000	91523NUM6
2035	2,925,000	2.300	2.300	100.000	91523NUN4

$12,460,000, 2.685% Term Bond, due April 1, 2040 (Yield of 2.685%, Price of 100.000%), CUSIP* No. 91523NUP9

GENERAL REVENUE REFUNDING
BONDS, 2020C (DELAYED DELIVERY BONDS)
$117,815,000

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP* Number
2022	$ 7,360,000	5.000%	1.130%	104.386%	91523NUQ7
2023	7,730,000	5.000	1.140	108.152	91523NUR5
2024	8,120,000	5.000	1.140	111.887	91523NUS3
2025	8,530,000	5.000	1.180	115.405	91523NUT1
2026	8,955,000	5.000	1.210	118.846	91523NUU8
2027	9,410,000	5.000	1.250	122.111	91523NUV6
2028	9,460,000	5.000	1.310	125.086	91523NUW4
2029	9,930,000	5.000	1.380	127.794	91523NUX2
2030	8,520,000	5.000	1.440	130.397	91523NUY0
2031	8,950,000	5.000	1.470†	130.099	91523NUZ7
2032	9,400,000	5.000	1.530†	129.504	91523NVA1
2033	6,805,000	5.000	1.570†	129.109	91523NVB9
2034	7,145,000	5.000	1.600†	128.814	91523NVC7
2035	7,500,000	5.000	1.640†	128.422	91523NVD5

† Calculated to the par call date of April 1, 2030.

UNIVERSITY OF WASHINGTON
4333 Brooklyn Avenue Northeast
Seattle, Washington 98105-4608
Telephone: (206) 221-6752
Website: http://finance.uw.edu/treasury/[1]

BOARD OF REGENTS

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BOND COUNSEL
Pacifica Law Group LLP
Seattle, Washington

FINANCIAL ADVISOR
Piper Sandler Companies
Seattle, Washington

REGISTRAR
U.S. Bank National Association, as Fiscal Agent
Seattle, Washington

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(1) The University's website and other websites referenced herein are not part of this Official Statement, and investors should not rely on information presented on the University's or other websites in determining whether to purchase the Bonds. This inactive textual reference to the University's website and other website references herein are not hyperlinks and do not incorporate the University's or other websites by reference.
(2) Pending State Senate confirmation.
(3) Student Regent (serves a one-year term).

No dealer, broker, salesperson or any other person has been authorized to give any information or to make any representation, other than the information and representations contained in this Official Statement, in connection with the sale of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorized by the University. This Official Statement does not constitute an offer to sell or a solicitation or sale of the Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "estimate," "project," "anticipate," "expect," "intend," "forecast," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

CUSIP numbers are included in this Official Statement for convenience of the holders and potential holders of the Bonds. The CUSIP numbers were provided by CUSIP Global Services. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. Neither the University nor any purchaser takes any responsibility for the accuracy of such CUSIP numbers.

This Official Statement is not to be construed as a contract or agreement between the University and purchasers or owners of any of the Bonds.

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OFFICIAL STATEMENT

UNIVERSITY OF WASHINGTON

$51,000,000	$51,000,000	$117,815,000
General Revenue Bonds, 2020A	**General Revenue Bonds, 2020B (Taxable)**	**General Revenue Refunding Bonds, 2020C (Delayed Delivery Bonds)**

INTRODUCTORY STATEMENT

This Official Statement, including the inside cover, table of contents and appendices, provides information regarding the University of Washington (the "University") and its General Revenue Bonds, 2020A (the "2020A Bonds"), General Revenue Bonds, 2020B (Taxable) (the "2020B Bonds") and General Revenue Refunding Bonds, 2020C (Delayed Delivery Bonds) (the "2020C Bonds" and, collectively, the "Bonds").

The Preliminary Official Statement dated February 13, 2020 is updated to reflect the results of pricing the Bonds and to add an update regarding the University's response to COVID-19. See "CERTAIN INVESTMENT CONSIDERATIONS—Seismic and Other Considerations."

The University is issuing the Bonds (a) to pay costs of University projects, or to refinance commercial paper issued originally to finance costs of University projects; (b) to defease and refund a portion of the University's General Revenue and Refunding Bonds, 2011A (the "Refunded Bonds"); and (c) to pay costs of issuance. See "SOURCES AND USES OF BOND PROCEEDS."

The University is issuing the Bonds pursuant to chapter 28B.142 of the Revised Code of Washington ("RCW"). The issuance of the Bonds is authorized pursuant to a resolution of the Board of Regents of the University adopted on July 11, 2019, as amended on February 13, 2020 (together the "Resolution"). See Appendix A.

The 2020C Bonds will not be delivered until on or about February 9, 2021 (the "2020C Date of Delivery"). The delay in the issuance and delivery of the 2020C Bonds may have significant consequences to the purchasers of the 2020C Bonds. The market value of the 2020C Bonds on the 2020C Date of Delivery is likely to be greater or less than the respective initial offering prices thereof, and the difference may be substantial. Several factors may adversely affect the market price of the 2020C Bonds, including, but not limited to, a general increase in interest rates for all obligations and other indebtedness, threatened or adopted changes in federal tax laws affecting the relative benefits of owning tax-exempt securities instead of other types of investments, such as fully taxable obligations, or adverse developments with respect to the University or with respect to the security for the 2020C Bonds. See "DELAYED DELIVERY OF THE 2020C BONDS."

Brief descriptions of the Bonds, the University, the Resolution and certain statutes and agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references to the documents, statutes, agreements, or other instruments described herein are qualified in their entirety by reference to each such document, statute, agreement or other instrument. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the University since the date of this Official Statement. Capitalized terms used in this Official Statement but not defined herein have the meanings set forth in the Resolution, a copy of which is included in Appendix A.

THE BONDS

General

The Bonds will be dated their date of delivery and will bear interest at the rates set forth on the inside cover and pages ii and iii of this Official Statement. The Bonds will mature on April 1 in the years set forth on the inside front cover, and pages ii and iii, subject to prior redemption. The interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds is payable on each April 1 and October 1, commencing

April 1, 2020 in the case of the 2020A Bonds and 2020B Bonds, and commencing April 1, 2021 in the case of the 2020C Bonds (each, an "Interest Payment Date").

The Bonds will be issued as fully registered bonds in denominations of $5,000 each or any integral multiple of $5,000 within a series and maturity (each, an "Authorized Denomination"). The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's book-entry only system (the "Book-Entry Only System"). Purchases of beneficial interests in the Bonds will be made in book-entry form only. If at any time the Book-Entry Only System is discontinued for the Bonds, the Bonds will be exchangeable for other fully registered certificated Bonds of the same series and maturity in Authorized Denominations. See Appendices A and D.

For so long as Cede & Co. is the Registered Owner of the Bonds, interest and principal shall be paid and delivery shall be made as described in the operational arrangements referred to in the Letter of Representations and pursuant to DTC's standard procedures. See Appendices A and D.

The interest due on any Bond on any Interest Payment Date shall be paid to the Registered Owner of such Bond as shown on the Bond Register as of the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date (the "Record Date"). If the Bonds are no longer held in book-entry only form, the interest on the Bonds shall be payable by check, provided that any Registered Owner of $1,000,000 or more in aggregate principal amount of the Bonds, upon written request given to the Registrar at least five business days prior to the Interest Payment Date, Maturity Date or Redemption Date, designating an account in a domestic bank, may be paid by wire transfer of immediately available funds. If the Bonds are no longer held in book-entry only form, all payments of principal shall be made solely upon presentation of the Bond to the Registrar.

Registrar

The University has adopted the system of registration for the Bonds approved, from time to time, by the State Finance Committee (the "Committee"). Pursuant to chapter 43.80 RCW, the Committee designates one or more fiscal agencies for bonds issued within the State of Washington (the "State"). The fiscal agent of the State, currently U.S. Bank National Association (the "Registrar") will authenticate the Bonds and act as the paying agent and registrar for the purpose of paying the principal of and interest on the Bonds, recording the purchase and registration, exchange or transfer, and payment of Bonds and performing the other respective obligations of the paying agent and registrar.

Optional Redemption

2020A Bonds. The 2020A Bonds maturing on or after April 1, 2031, are subject to redemption at the option of the University, as a whole or in part on any date on or after April 1, 2030, at a Redemption Price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

2020B Bonds. The 2020B Bonds maturing on or after April 1, 2031, are subject to redemption at the option of the University, as a whole or in part on any date on or after April 1, 2030, at a Redemption Price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

At the option of the University the 2020B Bonds also are subject to redemption as a whole or in part on any date prior to April 1, 2030, at a Redemption Price described below (the "Make-Whole Redemption Price"). The Make-Whole Redemption Price for the 2020B Bonds is equal to the greater of (1) 100 percent of the principal amount of the 2020B Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2020B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2020B Bonds are to be redeemed, discounted to the date on which the 2020B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 12.5 basis points (0.125 percent); plus, in each case, accrued interest on the 2020B Bonds to be redeemed to the date on which the 2020B Bonds are to be redeemed.

"Treasury Rate" means, with respect to any Redemption Date for a particular 2020B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, truncated to the fifth decimal, assuming that the Comparable Treasury Issue is purchased on such Redemption Date for a price equal to the Comparable Treasury Price. "Comparable

Treasury Issue" means, with respect to any Redemption Date for a particular 2020B Bond, the United States Treasury security or securities that has an actual or interpolated maturity comparable to the remaining average life of such 2020B Bond, as determined by an investment banking firm or financial advisory firm retained by the University, that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such 2020B Bond. "Comparable Treasury Price" means, with respect to any Redemption Date for a particular 2020B Bond, the price of the Comparable Treasury Issue, as determined by an investment banking firm or financial advisory firm retained by the University.

2020C Bonds. The 2020C Bonds maturing on or after April 1, 2031, are subject to redemption at the option of the University, as a whole or in part on any date on or after April 1, 2030, at a Redemption Price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

Selection of Bonds for Redemption. If the University elects to redeem fewer than all of the Bonds for optional redemption, the University shall select the series, amount and maturities to be redeemed. In no event shall any Bond be Outstanding in a principal amount that is not an Authorized Denomination. If less than all the Outstanding 2020A Bonds or 2020C Bonds within a series and maturity are to be redeemed, the Bonds to be redeemed shall be selected in accordance with the then effective operational arrangements of DTC referred to in the Letter of Representations or if the 2020A Bonds or 2020C Bonds, as applicable, are no longer in book-entry only form, the 2020A Bonds and 2020C Bonds shall be selected randomly by the Registrar. If the University redeems at any one time fewer than all of the 2020B Bonds having the same maturity date, the particular 2020B Bonds or portions of 2020B Bonds of such maturity to be redeemed shall be selected on a *pro rata* pass-through distribution of principal basis.

Notice of Redemption. For so long as the book entry-only system is in effect, notice of redemption shall be provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations, and no additional published or other notice shall be provided by the University. Notice of redemption may be conditional. Notice of redemption shall be given by the University to the Registrar, who shall give notice to DTC at least 20 days prior to the proposed date of redemption.

Conditional Redemption. Any notice for redemption may be conditional, in which case the conditions shall be set forth therein.

Effect of Redemption. If an unconditional notice of redemption has been given or if a conditional notice of redemption has been given and the conditions set forth in a conditional notice of redemption have been satisfied, then on the Redemption Date the Bonds or portions thereof so called for redemption shall become payable at the Redemption Price specified in such notice. From and after the Redemption Date, provided that sufficient funds have been duly provided for the payment of the Redemption Price, interest on such Bonds or on portions thereof so called for redemption shall cease to accrue, and such Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security under the Resolution, and the Owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such Bonds to the Registrar.

Any notice provided as described above will be conclusively presumed to have been given, whether or not actually received by any owner of a Bond. The failure to provide notice with respect to any Bond will not affect the validity of the proceedings for the redemption of any other Bond with respect to which notice was so provided.

Mandatory Sinking Fund Redemption

The 2020A Bonds maturing on April 1, 2045, are Term Bonds subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption on April 1 in the years and amounts as follows:

2020A BONDS - 2045 TERM BONDS

Year	Amount
2041	$ 1,550,000
2042	1,615,000
2043	1,680,000
2044	1,745,000
2045*	1,815,000

* Maturity

The 2020A Bonds maturing on April 1, 2050, are Term Bonds subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption on April 1 in the years and amounts as follows:

2020A BONDS - 2050 TERM BONDS

Year	Amount
2046	$ 1,885,000
2047	1,980,000
2048	2,080,000
2049	2,185,000
2050*	2,290,000

* Maturity

The 2020B Bonds maturing on April 1, 2040, are Term Bonds subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption on April 1 in the years and amounts as follows:

2020B BONDS - 2040 TERM BONDS

Year	Amount
2037	$ 2,990,000
2038	3,075,000
2039	3,155,000
2040*	3,240,000

* Maturity

If the University redeems 2020A Bonds that are Term Bonds under the optional redemption provisions described above or purchases or defeases such Term Bonds, the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) will be credited at the par amount thereof against one or more scheduled mandatory redemption amounts for such Term Bonds in accordance with the then effective operational arrangements of DTC referred to in the Letter of Representations, with the Term Bonds being redeemed in the scheduled redemption amounts to be selected by the University, and randomly within each scheduled redemption amount. In the event such Term Bonds are no longer in book-entry only form, the Term Bonds shall be redeemed in the scheduled redemption amounts to be selected by the University, and randomly within each scheduled redemption amount.

If the University redeems 2020B Bonds that are Term Bonds under the optional redemption provisions described above or purchases or defeases such Term Bonds, the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices will be credited at the par amount thereof against one or more scheduled mandatory redemption amounts for such Term Bonds in accordance with the then effective operational arrangements of DTC referred to in the Letter of Representations, with the Term Bonds being redeemed in the scheduled redemption amounts to be selected by the University, and on a *pro rata* pass-through distribution of principal basis within each scheduled redemption amount. In the event such Term Bonds are no longer in book-entry only form, the Term Bonds shall be redeemed in the scheduled redemption amounts to be selected by the University, and *pro rata* within each scheduled redemption amount.

Purchase of Bonds by the University

The University may acquire Bonds by the purchase of Bonds offered to the University at any time at such purchase price as the University deems appropriate, or by gift at any time, on terms as the University deems appropriate. The Resolution does not require that Bonds so acquired be cancelled.

Defeasance

Any Bonds shall be deemed to have been paid and not be Outstanding under the Resolution and shall cease to be entitled to any benefit or security of the Resolution except the right to receive the money and the proceeds and income from Government Obligations set aside and pledged in the manner hereafter described, if (a) in the event that any or all of the Bonds are to be optionally redeemed, the University shall have given to the Registrar irrevocable instructions to give such notice of redemption of such Bonds as may be required by the provisions of the Resolution; and (b) there shall have been made an Irrevocable Deposit, in trust, with the Registrar or another corporate fiduciary of money in an amount that shall be sufficient, and/or noncallable Government Obligations that are direct obligations of the United States or obligations unconditionally guaranteed by the United States maturing at such time or times and bearing such interest to be earned thereon, without considering any earnings on the reinvestment thereof, as will provide a series of payments that shall be sufficient, together with any money initially deposited, to provide for the payment of the principal of and the interest on the defeased Bonds when due in accordance with their terms, or upon the earlier prepayment thereof in accordance with a refunding plan.

If the University defeases any 2020B Bonds, such 2020B Bonds may be deemed retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the Owner of a 2020B Bond would recognize a gain or loss on the 2020B Bond at the time of defeasance. See “CERTAIN INCOME TAX CONSEQUENCES RELATING TO THE 2020B BONDS.”

SOURCES AND USES OF BOND PROCEEDS

Use of Proceeds

2020A Bonds. The proceeds from the sale of the 2020A Bonds are to be applied to (a) pay costs of University projects, or to refinance commercial paper issued originally to finance costs of University projects, including Kincaid Hall, the Childbirth Center at the UW Medical Center Northwest campus, and Destination One (a clinical system-wide electronic health records system expansion and other process improvement project), and other University projects; and (b) pay a portion of the costs of issuance.

2020B Bonds. The proceeds from the sale of the 2020B Bonds will be used to (a) pay costs of Destination One or other University projects, or to refinance commercial paper issued originally to finance these costs; and (b) pay a portion of the costs of issuance.

2020C Bonds. The proceeds from the sale of the 2020C Bonds will be used to (a) currently refund the Refunded Bonds on a tax-exempt basis for debt service savings; and (b) pay a portion of the costs of issuance.

Plan of Refunding

A portion of the proceeds of the 2020C Bonds will be used to currently refund, on a tax-exempt basis, the Refunded Bonds. Information on the Refunded Bonds is as follows:

TABLE 1:
REFUNDED BONDS

General Revenue and Refunding Bonds, 2011A

Maturity (April 1)	Amount	Rate	Redemption Date	Redemption Price	CUSIP No.
2022	$8,800,000	5.00%	April 1, 2021	100	91523NHS8
2023	9,240,000	3.25	April 1, 2021	100	91523NHT6
2024	9,545,000	5.00	April 1, 2021	100	91523NHU3
2025	10,025,000	5.00	April 1, 2021	100	91523NHV1
2026	10,525,000	5.00	April 1, 2021	100	91523NHW9
2027	11,060,000	5.00	April 1, 2021	100	91523NHX7
2028	11,195,000	5.00	April 1, 2021	100	91523NHY5
2029	11,750,000	4.00	April 1, 2021	100	91523NHZ2
2030	10,315,000	5.00	April 1, 2021	100	91523NJA5
2031	10,835,000	5.00	April 1, 2021	100	91523NJB3
2032	11,375,000	5.00	April 1, 2021	100	91523NJC1
2033	8,880,000	5.00	April 1, 2021	100	91523NJD9
2034	9,325,000	5.00	April 1, 2021	100	91523NJE7
2035	9,790,000	4.50	April 1, 2021	100	91523NJF4

The University will deposit a portion of the proceeds of the 2020C Bonds on the 2020C Date of Delivery, together with cash to be contributed from accounts held in connection with the Refunded Bonds, to be escrowed to the redemption date for the Refunded Bonds at which time the Refunded Bonds will be redeemed at a price of par plus accrued interest to the date of redemption. To fund the escrow, the University may purchase certain direct non-callable Government Obligations. Cash and Government Obligations, if any, will be deposited in the custody of U.S. Bank National Association (the "Escrow Agent"). The maturing principal of the Government Obligations, interest earned thereon, and necessary cash balance, if any, will provide payment of:

(a) interest on the Refunded Bonds when due up to and including the redemption date; and

(b) on the redemption date, the redemption price of the Refunded Bonds.

The Government Obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the owners of the Refunded Bonds by the Escrow Agent, pursuant to an escrow deposit agreement to be executed by the University and the Escrow Agent.

Verification of Mathematical Calculations

Causey Demgen & Moore P.C. (the "Verification Agent") will verify the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Governmental Obligations, to be placed together with other escrow money in the escrow account to pay when due, pursuant to the call for redemption, the principal of and interest on the Refunded Bonds.

Sources and Uses of Funds

The proceeds of the Bonds, together with other funds, are expected to be applied as follows (amounts in table have been rounded to the nearest dollar):

Sources of Funds	2020A Bonds	2020B Bonds	2020C Bonds	Total
Par Amount	$ 51,000,000	$ 51,000,000	$ 117,815,000	$ 219,815,000
Original Issue Premium	12,785,714	-	26,361,953	39,147,667
Other Sources of Funds	-	-	2,419,502	2,419,502
Total Sources of Funds(1)	$ 63,785,714	$ 51,000,000	$ 146,596,455	$ 261,382,169
Uses of Funds				
Project Fund Deposit(2)	$ 63,561,511	$ 50,778,426	-	$ 114,339,937
Escrow Deposit	-	-	$ 146,062,425	146,062,425
Issuance Costs(3)	224,203	221,574	534,030	979,807
Total Uses of Funds(1)	$ 65,785,714	$ 51,000,000	$ 146,596,455	$ 261,382,169

(1) Totals may not foot due to rounding.
(2) A portion of the amount deposited to the Project Fund is to be used to pay $40 million of the University's outstanding General Revenue Notes (Commercial Paper).
(3) Issuance costs include Underwriters' discount, legal fees, Escrow Agent fees, Financial Advisor fees, rating agency fees, Verification Agent fees, additional proceeds, and other costs incurred in connection with the issuance of the Bonds.

SECURITY FOR THE BONDS

Special Fund Obligations

The Bonds are special fund obligations of the University, payable solely from General Revenues and the money and investments that are deposited into the special fund designated as the General Revenue Bond Redemption Fund, 2020 (the "Bond Fund"). The Bonds are not an obligation, either general, special or moral, of the State, nor a general or moral obligation of the University. The Registered Owners of the Bonds shall have no right to require the State, nor has the State any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of the principal of or the interest or any premium on the Bonds. **The University has no taxing power.**

The University is obligated to pay debt service on the Bonds from General Revenues; however, the obligations of the University are not secured by a statutory lien on or security interest in General Revenues. The University's commitment to apply General Revenues to pay debt service on the Bonds is a legally enforceable covenant.

There is no coverage covenant, debt service reserve requirement or additional bonds test in the Resolution.

General Revenues

"General Revenue" or "General Revenues" means all non-appropriated income, revenues and receipts of the University if and to the extent such funds are not restricted in their use by law, regulation, or contract. For example, the following items are restricted and, therefore, excluded from General Revenues:

(a) Appropriations to the University by the State from the State's General Fund;

(b) Each fund the purpose of which has been restricted in writing by the terms of the gift or grant under which such fund has been donated, or by the donor thereof;

(c) Certain limited-purpose fees imposed upon students as a condition of enrollment at the University, including but not limited to services and activities fees, building fees ("Building Fees") and technology fees; and

(d) Revenues and receipts attributable to the Metropolitan Tract Revenue (which consists of revenues from 11 acres owned by the University in downtown Seattle, known as the "Metro Tract").

See “GENERAL REVENUES.” Unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, are included in 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.

Additions to General Revenues

The University reserves the right to include in General Revenues, at its sole option, other sources of revenue or income currently excluded in the definition of General Revenues. Such additions shall occur on the date and as provided in a certificate executed by the controller of the University (the “Controller”) (or the successor to the functions of the Controller). The Controller shall, in the case of additions of items or auxiliaries to General Revenues, certify that for the preceding two Fiscal Years for which audited financial statements are available, the item or auxiliary maintained a “coverage ratio” defined in the Resolution of at least 125 percent. In the event an auxiliary or item is added to General Revenues, the obligations of that auxiliary or item may remain outstanding and have a prior claim on auxiliary Net Revenue.

Deletions from General Revenues

The University reserves the right to remove, at its sole option, in the future, without limitation, any revenues from General Revenues. The removal of General Revenues shall be evidenced by a certificate executed by the Controller identifying the items to be deleted. The University is not required to meet any coverage or other test prior to removing revenues from General Revenues. To date, the University has not removed any such revenues.

Building Fee Revenue Bonds

A portion of the University’s outstanding General Revenue Bonds are “Building Fee Revenue Bonds” that are payable from Building Fees and trust land revenues in addition to General Revenues and money and investments in the Bond Fund. The State Legislature (the “Legislature”) has previously authorized and may in the future authorize the University to issue a bond or bonds to be paid from Building Fees and trust land revenues deposited into the University of Washington bond retirement account defined in and in accordance with RCW 28B.20.700 through 28B.20.740 (the “Building Fee Revenue Bond Statute”). The Building Fee Revenue Bond Statute permits the University to issue bonds payable from and secured by a pledge of any or all of the Building Fees and trust land revenues deposited in the University of Washington bond retirement fund (“Building Fee Revenue Bonds”).

Under the Resolution, the Board of Regents has covenanted to establish, maintain and collect Building Fees in such amounts that will provide money sufficient to pay the principal of and interest on all bonds (outstanding Building Fee Revenue Bonds and any additional building fee revenue bonds hereafter issued) payable out of the University of Washington bond retirement fund, to set aside and maintain reserves, if any, required to secure the payment of such principal and interest, and to maintain coverage, if any, which may be required over such principal and interest.

Building Fee Revenue Bonds are not general or special obligations of the State, but are limited obligation bonds of the University payable only from Building Fees, money and investments in the University of Washington bond retirement fund, General Revenues and money and investments in the Bond Fund. The Bonds are not Building Fee Revenue Bonds.

Additional Bonds

The University may incur additional obligations, including bonds, Payment Agreements (such as interest rate swaps) and lease or other contractual obligations, that are payable from General Revenues, in addition to the University’s outstanding General Revenue Notes (Commercial Paper) (the “Commercial Paper Notes”), the outstanding General Revenue bonds, the Bonds and other lease and contractual obligations. There are no limitations, either statutory or contractual, that would prevent the University from incurring such additional obligations.

Payment Agreements

To the extent permitted by State law, the University may enter into Payment Agreements payable from General Revenues subject to the satisfaction of certain conditions precedent. Payment Agreements, as defined in chapter 39.96 RCW, include interest rate swaps entered into in connection with the issuance of bonds.

The University currently has no Payment Agreements in place.

No Acceleration Upon Default

The Resolution does not specify events of defaults and remedies. In the event of a default, Bondholders can pursue available remedies permitted by State law. If the University were to default on the payment of principal of or interest on the Bonds, payment of the principal of and accrued interest on the Bonds would not be subject to acceleration. The University is liable for principal and interest payments only as they become due. In the event of multiple defaults on the payment of principal of or interest on the Bonds, the Bondholders would be required to bring a separate action for each such payment not made. This could give rise to a difference in legal interests between owners of earlier- and later-maturing Bonds. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies against public bodies under State law. See "CERTAIN INVESTMENT CONSIDERATIONS – Limitations on Remedies."

Debt Payment Record

The University has never defaulted on the payment of principal of or interest on any of its bonds or other debt.

Future Debt

The University expects to continue to issue debt for University purposes. Through Fiscal Year 2024, the University currently expects to borrow approximately $100 million for non-refunding purposes each year; the amount for a particular year may vary from this estimate. In addition, the University expects to continue to make draws on a not-to-exceed $30 million non-revolving line of credit to finance short-term University assets (the "Line of Credit"). Additional projects may be funded on an interim basis with proceeds of Commercial Paper Notes, issuable from time to time in a not-to-exceed $250 million principal amount, or on a long-term basis with proceeds of bonds, in each case if approved by the Board of Regents. The University may issue additional bonds for refunding purposes.

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UNIVERSITY DEBT AND ESTIMATED DEBT SERVICE

General Revenue Obligations

The University's General Revenue obligations take three forms:

(1) *General Revenue Bonds and Commercial Paper Notes*.

(i) *General Revenue Bonds.* From time to time, the University issues and has outstanding General Revenue bonds, such as the Bonds, to finance University purposes in accordance with law.

(ii) *Commercial Paper Notes.* The University is authorized to issue Commercial Paper Notes from time to time in an aggregate principal amount not to exceed $250 million, for University purposes, pursuant to an amended and restated resolution of the Board of Regents adopted on July 11, 2019. No Commercial Paper Note may be issued under the resolution having a maturity later than June 30, 2039. The University issues Commercial Paper Notes generally to provide interim financing for University projects, including a portion of the projects to be financed by the Bonds and other projects to be financed by future General Revenue bonds. The University currently provides self-liquidity for the payment of its Commercial Paper Notes, which are not currently secured by a bank credit or liquidity facility.

(2) *Leases and other contractual obligations payable from General Revenues*.

(i) *Leases supporting Lease Revenue Bonds*. The University has entered into a number of financing and other leases in connection with lease revenue bonds, which are payable from General Revenues. University lease payments are applied to pay debt service on lease revenue bonds. Lease revenue bonds have financed the University's multi-phase South Lake Union biomedical research facilities and other clinic, research and administrative facilities.

(ii) *Other Contractual Obligations*. The University has entered into other contracts payable from all or a component of General Revenues and, in some cases, other revenues. Reimbursed State General Obligation Bonds ("Reimbursed Bonds") refers to bonds authorized by the Legislature and issued as State general obligation bonds to provide proceeds to the University. These bonds are payable from all or a component of General Revenues and, in some cases, other revenues. The University also enters into equipment leases and leases in connection with State-issued certificates of participation ("Certificates of Participation") from time to time to finance equipment and other property.

(3) *Line of Credit*. The University has entered into the Line of Credit under a Master Financing Agreement with JPMorgan Chase Bank, N.A., payable from General Revenues. The Line of Credit currently allows for draws (for a maximum term of 10 years) in an aggregate amount not to exceed $30 million through June 30, 2020.

The Bonds, the outstanding General Revenue bonds, the Commercial Paper Notes, leases and other contractual obligations, and the Line of Credit are equally and ratably payable from General Revenues without preference, priority or distinction because of date of issue or otherwise.

University Debt

Table 2 summarizes outstanding debt obligations by type.

Table 2: Outstanding Obligations
(as of February 2, 2020)
(dollars in thousands)

	Total
Obligations Payable from General Revenues	
General Revenue Bonds[1]	$ 1,871,055
Leases (supporting lease revenue bonds)	327,645
Reimbursed Bonds and Certificates of Participation	77,464
Commercial Paper Notes[2]	40,000
Equipment (Capital) Leases	6,203
Other[3]	5,483
Total Obligations[3]	$ 2,327,850

(1) Excludes the Bonds. Includes the Refunded Bonds.
(2) The $40 million of outstanding Commercial Paper Notes is expected to be paid at maturity from proceeds of the Bonds.
(3) Includes amounts drawn on the Line of Credit.
Source: The University.

Additional detail on the Commercial Paper Notes is shown in Table 3:

Table 3: Unused Commercial Paper Authorization
(as of February 2, 2020)
(dollars in thousands)

	Total
Maximum Amount Authorized	$ 250,000
Less: Amount outstanding[1]	(40,000)
Unused commercial paper authorization	$ 210,000

(1) The University expects to pay at maturity the $40 million of outstanding Commercial Paper Notes from proceeds of the Bonds.
Source: The University.

Estimated General Revenue Debt Service Schedule

Table 4 provides the debt service requirements for the Bonds and the outstanding General Revenue bonds. Table 4 also provides debt service requirements for lease and other contractual obligations payable from General Revenues. Table 4 excludes debt service on Commercial Paper Notes.

Table 4: University of Washington
General Revenue Bonds Debt Service Schedule(1)

Fiscal Year Ending 6/30	Outstanding General Revenue Bonds	The Bonds Principal	The Bonds Interest	Total General Revenue Bonds	Leases and Other Obligations Paid from General Revenues(2)	Total General Revenue Debt Service(3)
2021	$ 136,779,705	$ 3,360,000	$ 4,213,941	$ 144,353,646	$ 53,789,114	$ 198,142,760
2022	122,174,661	10,800,000	9,170,513	142,145,174	50,879,211	193,024,385
2023	118,116,439	11,265,000	8,715,166	138,096,606	48,805,520	186,902,125
2024	118,083,510	11,740,000	8,236,971	138,060,481	43,751,300	181,811,781
2025	117,935,731	12,250,000	7,734,577	137,920,308	39,607,621	177,527,929
2026	117,766,098	12,780,000	7,207,194	137,753,293	34,118,142	171,871,434
2027	118,033,468	13,340,000	6,652,769	138,026,236	33,519,416	171,545,652
2028	113,546,186	13,505,000	6,069,044	133,120,230	29,531,917	162,652,147
2029	113,238,792	14,090,000	5,476,506	132,805,298	24,856,262	157,661,560
2030	112,308,209	12,805,000	4,853,591	129,966,800	23,128,424	153,095,223
2031	108,233,752	13,370,000	4,293,709	125,897,461	22,635,629	148,533,090
2032	106,760,192	13,965,000	3,704,416	124,429,608	22,559,583	146,989,191
2033	102,865,617	11,520,000	3,085,626	117,471,243	21,821,447	139,292,690
2034	98,844,965	12,010,000	2,588,026	113,442,991	19,792,538	133,235,529
2035	98,804,432	12,510,000	2,086,226	113,400,658	17,889,239	131,289,896
2036	145,139,730	-	1,560,551	146,700,281	17,789,062	164,489,342
2037	104,238,137	5,160,000	1,560,551	110,958,688	17,692,319	128,651,007
2038	104,784,631	5,335,000	1,393,470	111,513,101	17,582,584	129,095,685
2039	103,838,963	5,500,000	1,220,506	110,559,469	11,513,919	122,073,388
2040	120,230,433	5,685,000	1,041,994	126,957,427	11,398,385	138,355,812
2041	107,753,598	1,550,000	857,200	110,160,798	11,280,581	121,441,379
2042	107,877,259	1,615,000	795,200	110,287,459	11,152,404	121,439,862
2043	108,003,262	1,680,000	730,600	110,413,862	11,018,566	121,432,428
2044	105,686,737	1,745,000	663,400	108,095,137	5,170,600	113,265,737
2045	31,499,755	1,815,000	593,600	33,908,355	5,170,600	39,078,955
2046	29,689,844	1,885,000	521,000	32,095,844	5,168,800	37,264,644
2047	22,109,313	1,980,000	426,750	24,516,063	5,170,000	29,686,063
2048	111,382,750	2,080,000	327,750	113,790,500	5,168,800	118,959,300
2049	-	2,185,000	223,750	2,408,750	-	2,408,750
2050	-	2,290,000	114,500	2,404,500	-	2,404,500
Total(3)	**$2,905,726,169**	**$219,815,000**	**$96,119,095**	**$3,221,660,264**	**$621,961,980**	**$3,843,622,244**

(1) Does not include debt service on Commercial Paper Notes. Includes all General Revenue Bonds, including those that are also Building Fee Revenue Bonds. For the General Revenue Bonds, 2019A (term rate put bonds subject to mandatory purchase on May 1, 2022), assumes 5.00% stated coupon rate through the mandatory redemption date, and then assumes a rate of 4.50% through final maturity, although the University has the right to redeem earlier.

(2) Includes leases and other contractual obligations payable from General Revenues, including lease obligations with respect to lease revenue bonds, a note, Line of Credit (amount drawn as of February 2, 2020), and Reimbursed Bonds and Certificates of Participation.

(3) Totals may not foot due to rounding.

Source: The University.

GENERAL REVENUES

Overview of General Revenues

As described under the heading "SECURITY FOR THE BONDS—General Revenues," General Revenues include all non-appropriated income, revenues, and receipts of the University if and to the extent such funds are not restricted in their use by law, regulation, or contract.

Financial support is received by the University from a variety of sources, including grants and contracts (including direct grant and contract revenue and indirect cost recovery revenue associated with grants and contracts), patient services, tuition and fees, State funding, gifts, auxiliary enterprises, investment income and sales and services. As shown in Table 5 several of these sources are unrestricted and are included in General Revenues: auxiliary systems and patient services, student tuition and fees (less student activities fees, U-Pass fees, technology fees, Building Fees and student loan funds), grants and contracts indirect cost recovery revenues, sales and services of educational departments of the University, other operating revenue, and invested funds distribution and net invested funds' unrealized gains and losses.

Table 5 shows General Revenues of the University for Fiscal Years 2015 through 2019, calculated first by subtracting exclusions from Total Revenue and then by adding the specific components that comprise General Revenues.

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Table 5: General Revenues
(Fiscal Years, dollars in thousands)

General Revenue (Exclusions from Total Revenue)	2015	2016	2017	2018	2019[(1)]
Total Revenue[(2)]	$4,982,564	$5,024,269	$6,106,922	$6,425,908	$6,634,277
Less:					
State operating appropriations	(255,156)	(302,097)	(341,971)	(362,267)	(378,656)
Grant and contract direct costs	(1,082,452)	(1,093,865)	(1,147,694)	(1,196,554)	(1,207,662)
Gifts[(3)]	(115,636)	(115,000)	(166,491)	(166,721)	(165,831)
Revenues of component units[(4)]	(211,174)	(276,946)	(636,200)	(705,687)	(676,205)
Student activities fees and U-Pass fees	(44,080)	(43,134)	(44,816)	(44,907)	(46,652)
Student technology fees, Building Fees, student loan funds	(76,297)	(79,066)	(72,008)	(74,728)	(78,553)
Trust and endowment income, net unrealized gains on noninvested funds investments, Metro Tract net operating income, component unit investment income, and other restricted investment income	(187,599)	19,050	(416,327)	(368,191)	(274,178)
State capital appropriations	(20,812)	(39,221)	(64,166)	(26,399)	(24,797)
Capital grants, gifts and other	(21,986)	(21,645)	(52,897)	(142,573)	(44,260)
Other nonoperating revenues/expenses	(9,042)	(13,133)	(12,963)	(4,749)	(8,365)
Gifts to permanent endowments	(67,359)	(88,267)	(85,449)	(95,890)	(135,484)
Total General Revenues	$2,890,971	$2,970,945	$3,065,940	$3,237,242	$3,593,634

General Revenue (by Component)	2015	2016	2017	2018	2019
Student tuition and operating fee	$804,391	$837,677	$836,837	$882,236	$939,245
Grant and contract indirect costs	246,677	248,276	257,706	263,865	269,649
Invested funds distributions and net invested funds unrealized gains and losses	39,805	63,927	27,056	36,221	65,700
Sales and services of educational departments	223,494	224,747	217,421	242,886	260,176
Patient services[(5)]	1,196,561	1,210,271	1,319,393	1,331,023	1,475,975
Auxiliary systems	308,883	337,726	355,734	383,503	466,231
Other operating revenues	71,160	48,321	51,793	97,508	116,658
Total General Revenues	$2,890,971	$2,970,945	$3,065,940	$3,237,242	$3,593,634

(1) See accompanying notes to Audited Financials: Reconciliation of Total University Revenue to General Revenue, June 30, 2019 (in Appendix B).

(2) "Total Revenue" includes certain net non-operating revenues and other revenues. See "UNIVERSITY REVENUE AND EXPENSES—University Revenues." Total Revenue in 2015-2016 excludes revenues from Northwest (formerly known as Northwest Hospital and, as of January 1, 2020, UW Medical Center Northwest campus; referred to as "Northwest"). Northwest revenues are included in total revenues in Fiscal Years 2017-2019 because, effective Fiscal Year 2017, Northwest was presented as a blended component unit of the University (previously, a discretely presented component unit).

(3) Gift figures represent amounts realized in applicable Fiscal Year.

(4) Revenues of component units include UW Physicians and UW Neighborhood Clinics and, in Fiscal Years 2017-2019, Northwest revenues. See "UW MEDICINE."

(5) Excludes revenue from Northwest, UW Physicians and UW Neighborhood Clinics. UW Medical Center, Airlift Northwest and revenues from Northwest are included in patient services revenues within General Revenues for the University as of the date of this Official Statement. See "UW MEDICINE" for a discussion of the integration of UW Medical Center and Northwest into one hospital with two campuses, as of January 1, 2020. For Fiscal Year 2020, Northwest activity will be reported as Northwest for the six months ended December 31, 2019 (excluded from General Revenues); thereafter Northwest activity will be included within UW Medical Center figures (included in General Revenues).

Source: The University's General Revenue Supplement to Audited Financial Statements.

The definition of "General Revenues" in the Resolution provides that unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, also are includable and available to pay obligations secured by General Revenues. To illustrate unrestricted fund balances that may be available to pay General Revenue obligations, Table 6 shows general net position and also shows general net position adjusted to remove certain non-cash items (to show the figure excluding the effect of Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which was implemented in Fiscal Year 2015, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions ("GASB 75"), which was implemented in Fiscal Year 2018).

Table 6: General Net Position

(Fiscal Years, dollars in thousands)

General Net Position	**2015**	**2016**	**2017**	**2018**	**2019**
General net position (per audit)	$754,822	$568,824	$315,982	($1,343,629)	($1,061,438)
Plus: Impact of 2015 GASB 68 -- Pensions(1)	803,277(2)	769,615(2)	761,658(2)	706,142	584,284
Plus: Impact of 2018 GASB 75 -- OPEB(3)	-	-	-	1,763,597	1,817,162
Adjusted General Net Position	$1,558,099(2)	$1,338,439(2)	$1,077,640(2)	$1,126,110	$1,340,008

(1) The impact of GASB 68 accounting in the year of implementation, and the cumulative impact on subsequent years, is shown as an adjustment to General Net Position to illustrate the effects of this non-cash change in accounting.

(2) Unaudited.

(3) The impact of GASB 75 accounting in the year of implementation, and the cumulative impact on subsequent years, is shown as an adjustment to General Net Position to illustrate the effects of this non-cash change in accounting.

Source: The University's General Revenue Supplement to Audited Financial Statements.

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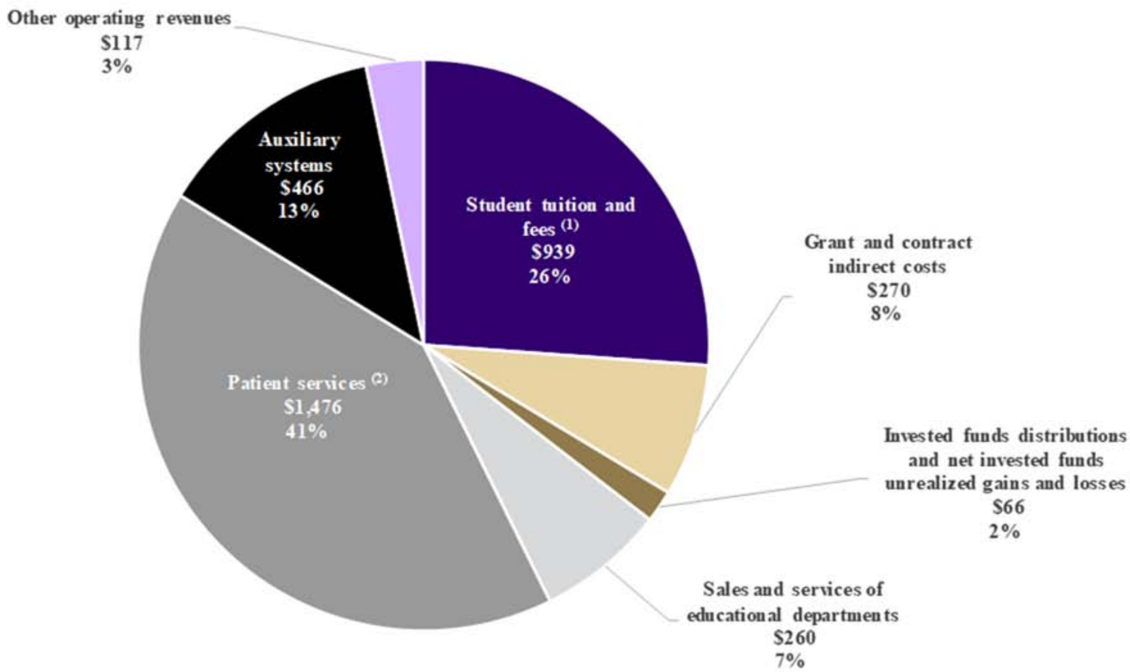
General Revenue Components

The following chart shows the General Revenue components for Fiscal Year 2019.

Figure 1: General Revenue Components, Fiscal Year 2019
(dollars in millions, total $3,594)



(1) Does not include student activities fees, technology fees, building fees, and loan funds.
(2) Excludes revenue from Northwest, UW Physicians and UW Neighborhood Clinics.
Source: Chart is derived from data included in the General Revenue Supplement to Audited Financial Statements of the University (Fiscal Year Ended June 30, 2019).

The following describes the largest components of General Revenues, which include patient services, student tuition and fees, auxiliary systems, and grant and contract indirect costs.

Patient Services

Patient services are the largest component of General Revenues, representing 41 percent of General Revenues in Fiscal Year 2019. Some revenues of the integrated health system operated under the name "UW Medicine," described under the heading "UW MEDICINE," are patient services revenues included in General Revenues and some are not. In addition, some UW Medicine entities generate other revenues included in General Revenues, such as student tuition and fees and grant and contract indirect costs. See "—Student Tuition and Fees" and "—Grants and Contract Indirect Costs."

Table 7 lists the UW Medicine entities and notes which entities' revenues are included in General Revenues and whether the entities' revenues are reflected in the University financial statements. Table 7 also identifies the entities that are part of the UW Medicine Clinical Enterprise—UW Division (the "Clinical Enterprise"), which includes University divisions, departments and blended component units that generate patient services revenues. As of January 1, 2020, UW Medicine/Northwest (formerly known as Northwest Hospital, and referred to herein as "Northwest") was integrated into UW Medical Center. For Fiscal Year 2020, Northwest activity will be reported as Northwest for the six months ended December 31, 2019; thereafter Northwest activity will be included within UW Medical Center figures.

Table 7:
UW Medicine Entities

Entity	Included in General Revenues?	Included in Clinical Enterprise?	Included in University financial statements?
UW Medical Center	Yes	Yes	Yes
Northwest	Yes(1)	Yes	Yes(1)
UW School of Medicine	Yes	No	Yes
Shared Services(2)	Yes(3)	Yes	Yes
Airlift Northwest	Yes	Yes	Yes
UW Neighborhood Clinics(4)	No	Yes	Blended component unit
UW Physicians(5)	No	Yes	Blended component unit
Valley Medical Center	No	No	Discrete component unit
Harborview Medical Center	No	No	No

(1) Northwest was presented as a blended component unit and was excluded from General Revenues prior to January 1, 2020. Commencing on that date, Northwest was integrated into UW Medical Center.
(2) Includes UW Medicine Information Technology Services and UW Medicine Shared Services (shared costs such as accounting, patient financial services, supply chain, finance, etc.).
(3) Represents certain revenues from shared services provided to Harborview Medical Center ("Harborview") and Valley Medical Center ("Valley") as well as other revenues.
(4) UW Physicians Network dba UW Neighborhood Clinics.
(5) The Association of University Physicians dba UW Physicians.
Source: The University.

Student Tuition and Fees

Student tuition and fees are the second largest component of General Revenues, representing 26 percent of General Revenues in Fiscal Year 2019. Student tuition is established by the Board of Regents within the tuition-setting authority delegated by the Legislature. Under current State law, the University retains authority to set tuition for graduate students and non-resident undergraduate students, but the Legislature limits increases in tuition for resident undergraduate students. Student fees that are included in General Revenues include student fees that are unrestricted, and consists primarily of the operating fee.

Future increases in resident undergraduate tuition are limited to annual increases of no more than the average annual percentage growth rate in the median hourly wage for Washington for the previous 14 years. Accordingly, resident undergraduate tuition increases were limited to just over two percent in each of the 2018-2019 and 2019–2020 academic years. The University raised resident undergraduate tuition by the full allowable amount (2.2 percent for 2018-2019 and 2.4 percent for 2019-2020). Non-resident tuition increased by three percent in 2018-2019 and 4.4 percent in 2019-2020. Similarly, most graduate and professional tuition categories increased by two percent in 2018-2019 and 2.4 percent in 2019-2020 with other graduate program rates increasing by 0-10 percent in each year. See also "CERTAIN INVESTMENT CONSIDERATIONS—State Legislation and Rulemaking, Initiatives and Referenda."

The University has authority to waive or reduce tuition and fees. Student tuition and fees revenue figures included in this Official Statement exclude amounts waived. Tuition waivers are used to assist low-income students, recruit outstanding students and recruit and support graduate teaching and research assistants. Tuition can be waived by the University for students meeting certain eligibility requirements consistent with these objectives and with authorizations in State law.

Auxiliary Systems

Auxiliary systems revenues are the third largest component of General Revenues, representing 13 percent of General Revenues in Fiscal Year 2019. Auxiliary systems include housing and food services, sports programs and other auxiliary enterprises.

Grants and Contract Indirect Costs

Indirect costs from grants and contracts are the fourth largest component of General Revenues, representing eight percent of General Revenues in Fiscal Year 2019. Grants and contracts fund a wide variety of research and training programs at the University. In 2016 the University negotiated an increase to the indirect cost/facilities rate, also known as the administrative cost ("F&A") rate. Through Fiscal Year 2020 the federal research activities will continue to see phased-in F&A increases of 1.0 percent to 2.5 percent over the F&A rates effective in Fiscal Year 2016.

The University's expectations with regard to future grant and contract revenues (and therefore future grant and contract indirect cost revenues included in General Revenues) are informed by its awards. See "RECENT DEVELOPMENTS AND OTHER UNIVERSITY INFORMATION." Awards are received by the University over one or more Fiscal Years and, when expenditures are made reimbursable, are presented as grant and contract revenues in the University's financial statements. For more information regarding grant and contract revenues for Fiscal Years 2019 and 2018, see "APPENDIX B—AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019)."

UNIVERSITY OVERVIEW

Founded in 1861, the University is a research university with campuses located in Seattle, Tacoma and Bothell. The University is the largest of six State-funded four-year institutions of higher education in the State. In autumn quarter of academic year 2019-2020, approximately 106,000 people studied and worked in approximately 27.3 million square feet of University-owned facilities. Of these people, approximately 56 percent were students and 44 percent were staff and faculty. With approximately 47,000 full-time and part-time employees at 2019 census, the University is one of the largest employers in King County and the State.

The University provides baccalaureate, masters, doctoral and professional degree programs through 16 colleges and schools including arts and sciences, built environments, business, dentistry, education, educational outreach, engineering, environment, information, law, medicine, nursing, pharmacy, public affairs, public health, and social work. The University offers 636 degree options across 312 programs. In the 2018-2019 academic year, the University awarded 17,928 degrees, including 11,761 bachelor degrees, 4,687 master's degrees, 915 doctoral degrees and 565 professional degrees.

Governance

The University is governed by a 10-member Board of Regents, which includes one student of the University. Regents are appointed by the Governor of the State with the consent of the State Senate, and, except for the student member, hold their offices for six-year terms or until their successors are appointed and qualified, whichever is later. The student member of the Board of Regents serves a one-year term from July 1 to June 30 of the following year, or until his or her successor is appointed and qualified, whichever is later.

The Board of Regents consists of the following individuals:

Joel Benoliel, Chair (Retired Senior Vice President and Chief Legal Officer, Costco Wholesale Corporation).

Rogelio Riojas, Vice Chair (President and Chief Executive Officer, Sea Mar Community Health Centers).

William S. Ayer, Member (Retired Chairman and Former Chief Executive Officer, Alaska Air Group).

Jeremy Jaech, Member (Managing Partner, Harmony Meadows LLC).

Joanne R. Harrell, Member (Senior Director, U.S. Citizenship and Public Affairs, Microsoft Corporation).

Libby G. MacPhee, Member (Managing Partner, Seattle Family Support, LLC).

Constance Rice, Member (President, The Very Strategic Group).

Daniela H. Suarez, Student Member (University student at the Henry M. Jackson School of International Studies).

Blaine Tamaki, Member (Attorney, Tamaki Law).

David Zeeck, Member (Retired President and Publisher, The News Tribune, The Olympian, and The Bellingham Herald).

The University's Administrative Officers include the following individuals:

Dr. Ana Mari Cauce, President. Dr. Cauce is the 33rd president of the University, where she has been a member of the faculty since 1986. She is a noted scholar on risk and resilience among adolescents and has received numerous awards for her research as well as the University's Distinguished Teaching Award. Before becoming President in 2015, she served as chair of the Departments of American Ethnic Studies and Psychology, as Dean of the College of Arts and Sciences and as Provost, the University's chief academic officer. In 2008, she played a key role in establishing the Husky Promise, a program that has helped more than 40,000 low-income students attend the University. Since becoming president, Dr. Cauce has put a spotlight on the University's work in Population Health across the University, launched the University's Race & Equity Initiative and been a champion for ensuring the University and public higher education across the country remain accessible and affordable for all students. As president, and throughout her tenure, she has worked to advance the University's mission of serving the public good by focusing on the University's impact on the lives of people in Washington and throughout the world. Dr. Cauce earned degrees in English and psychology from the University of Miami and a Ph.D. in psychology, with a concentration in child clinical and community psychology, from Yale University. She has received honorary degrees from the University of Miami and Tsinghua University.

Dr. Mark Richards, Provost and Executive Vice President for Academic Affairs. Dr. Richards joined the University as Provost and Executive Vice President for Academic Affairs on July 1, 2018. A geophysicist, Dr. Richards also holds a faculty appointment in the College of the Environment's Department of Earth and Space Sciences. As Provost, he is the University's chief academic and budget officer. Dr. Richards came to the University from the University of California, Berkeley, where he was a professor of Earth and Planetary Science. While at Berkeley, he served as dean of mathematical and physical sciences, and simultaneously as executive dean of the College of Letters and Science. For his work on racial, ethnic, and gender diversity in the STEM fields, Dr. Richards received Berkeley's two highest awards for promoting equity and inclusion. After receiving his bachelor's degree in engineering from the University of Texas at Austin, Dr. Richards earned his master's in applied physics and a Ph.D. in geophysics from Caltech, followed by a postdoc at the Australian National University. He served on the faculties of the University of Oregon and, in 1993, at the University.

Brian McCartan, Vice President for Finance. Brian McCartan is Vice President for Finance, overseeing the central finance functions of the University, including Controller, Treasury, and Enterprise Business Services divisions. In addition, Mr. McCartan leads the Finance Transformation Program to replace the University's legacy financial systems. Prior to joining the University, he served as Chief Financial Officer at Sound Transit, the regional transit authority for the central Puget Sound region, for 11 years. At Sound Transit, he managed the finance, risk management, information technology, and enterprise asset management functions. Prior to Sound Transit, Mr. McCartan served as debt manager at the City of Seattle, financing the capital programs for the City and its utilities, and as an international economist at the U.S. Treasury in Washington, D.C., helping administer U.S. international monetary operations. Mr. McCartan graduated from the University with a bachelor's degree in philosophy and political science. He has a master's degree in international relations from Yale University.

Dr. Paul G. Ramsey, CEO, UW Medicine, Executive Vice President for Medical Affairs and Dean of the School of Medicine. Dr. Ramsey has served as the senior executive leader of UW Medicine since 1997. He came to the University in 1978, following completion of his residency training in Internal Medicine at Massachusetts General Hospital. He served as acting chair and then chair of the Department of Medicine from 1990 to 1997, when he was appointed to his current administrative leadership position. Dr. Ramsey was the first holder of the Robert G. Petersdorf Endowed Chair in Medicine in 1995. He has received the Distinguished Teacher Award from the UW School of Medicine's graduating class three times (in 1984, 1986 and 1987) and the Margaret Anderson Award, which recognizes exceptional support of medical students, from the UW School of Medicine graduating class of 1989. Dr. Ramsey's research has focused on the development of methods to assess physicians' clinical competence. He has been the Principal Investigator on multiple research grants related to assessment of physicians' clinical skills, and served as a Henry J. Kaiser Family Foundation Faculty Scholar in General Internal Medicine for five years. Dr. Ramsey received the John P. Hubbard award from the National Board of Medical Examiners in 1990 in recognition of his research contributions in the field of evaluation. He has served on many national committees, including serving as an elected member of the Association of American Physicians and the National Academy of Medicine (previously known as the Institute of Medicine), and is a member of multiple organizations. Dr. Ramsey graduated from Harvard College with honors in Biochemistry and received his M.D. from Harvard Medical School.

Accreditation

The University has been continuously accredited by the Northwest Commission on Colleges and Universities ("NWCCU"), its regional higher education authority, since 1918, and is a member of the Association of American Universities. NWCCU adheres to a seven-year accreditation cycle. The NWCCU reaccredited the University in its last evaluation, held October 2013, and accepted the University's mid-cycle report in the spring of 2017.

ADMISSIONS, STUDENT ENROLLMENT AND FACULTY

The following tables show the number of applicants to the University's undergraduate, graduate and professional schools, certain qualifications of these applicants, the number of applicants accepted into each school, the tuition and student fees for each school, and the number of students enrolled in autumn quarter of the calendar years 2015–2019. The autumn quarter of the calendar year corresponds with a different Fiscal Year (e.g. autumn 2015 is enrollment for Fiscal Year 2016, autumn 2016 is enrollment for Fiscal Year 2017 and so on). In autumn quarter 2019, 76 percent of undergraduate students were located at the Seattle campus, 13 percent at Bothell, and 11 percent at Tacoma, based on headcount. The Bothell and Tacoma campuses consist primarily of undergraduate students. For both the 2018-2019 and 2019-2020 academic years, approximately 66 percent and of undergraduate, graduate and professional FTEs were in-State residents, and approximately 15 percent and 16 percent were international students.

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Table 8: Applications, Students and Enrollments[1]

Undergraduate	Autumn Quarter				
Freshmen	**2015**	**2016**	**2017**	**2018**	**2019**
Applied	41,257	48,471	50,007	50,965	51,847
Accepted	23,183	23,776	25,017	26,490	28,506
Percent Accepted to Applied	56%	49%	50%	52%	55%
Enrolled	7,943	7,802	8,158	8,571	8,465
Percent Enrolled to Accepted	34%	33%	33%	32%	30%
Transfers	**2015**	**2016**	**2017**	**2018**	**2019**
Applied	9,819	9,619	9,718	9,123	8,728
Accepted	4,747	5,164	4,974	5,041	4,779
Percent Accepted to Applied	48%	54%	51%	55%	55%
Enrolled	3,123	3,207	3,218	3,264	3,034
Percent Enrolled to Accepted	66%	62%	65%	65%	63%
Undergraduate FTE[2]	**2015**	**2016**	**2017**	**2018**	**2019**
Bothell	4,402	4,804	5,026	5,060	5,046
Seattle	29,888	29,873	30,295	31,004	30,901
Tacoma	3,685	3,996	4,204	4,291	4,363
Total All Campuses	37,975	38,673	39,525	40,355	40,310
Undergraduate Headcount	**2015**	**2016**	**2017**	**2018**	**2019**
Bothell	4,698	5,113	5,370	5,411	5,364
Seattle	31,525	31,418	31,843	32,594	32,570
Tacoma	3,940	4,301	4,457	4,573	4,610
Total All Campuses	40,163	40,832	41,670	42,578	42,544
Additional Enrollment Statistics	**2015**	**2016**	**2017**	**2018**	**2019**
Percent of All Students From Outside State	32%	27%	29%	34%	34%
Percent Retention (Freshmen to Sophomore)	92%	92%	92%	92%	92%
Mean GPA	3.70	3.70	3.71	3.73	3.74
Median GPA	3.78	3.79	3.80	3.81	3.83
Percent of Class Reporting GPA Data	100%	100%	100%	100%	100%
Mean Combined SAT Scores	1210	1200	1263	1293	1289
Median Combined SAT Scores	1230	1220	1290	1320	1320
Percent of Class Reporting SAT Data	81%	78%	76%	76%	81%

(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.

Source: The University.

Table 8: Applications, Students and Enrollments[1] (Continued)

Graduate	Autumn Quarter 2015	2016	2017	2018	2019
Applied	32,248	32,562	34,150	34,421	32,328
Accepted	9,693	9,703	10,700	11,153	10,731
Percent Accepted to Applied	30%	30%	31%	32%	33%
Enrolled	4,717	4,693	4,605	4,656	4,772
Percent Enrolled to Accepted	49%	48%	43%	42%	44%
Graduate FTE	14,154	14,401	14,652	15,170	15,244
Graduate Headcount	13,595	13,896	14,059	14,498	14,628

Professional[2]	2015	2016	2017	2018	2019
Applied	12,388	12,791	12,218	12,859	11,537
Accepted	1,291	1,226	1,335	1,371	1,305
Percent Accepted to Applied	10%	10%	11%	11%	11%
Enrolled	570	595	604	616	601
Percent Enrolled to Accepted	44%	49%	45%	45%	46%
Total Professional FTE	3,834	3,900	3,978	3,980	4,105
Total Professional Headcount	2,009	2,081	2,126	2,176	2,209

(1) Unless otherwise noted, all figures include Seattle, Tacoma, and Bothell campuses.
(2) Includes the Medical, Pharmacy, Dentistry and Law schools.
Source: The University.

Table 9: Extension Course and Conference Registrations

2015	2016	2017	2018	2019
76,245	78,426	82,949	79,503	81,361

Source: The University.

Table 10: Tuition and Fees[1]

	Autumn Quarter 2015	2016	2017	2018	2019
Undergraduate Resident	$ 11,839	$ 10,752[2]	$ 10,974	$11,207	$11,465
Undergraduate Non-Resident	34,143	34,791	35,538	36,558	38,166
Graduate Resident	16,278	16,653	16,272	16,590	16,977
Graduate Non-Resident	28,326	28,896	28,320	28,881	29,562
Professional School Resident[3]	28,362-43,494	29,577-46,875	30,297-48,255	31,482-48,270	32,712-48,285
Professional School Non-Resident[3]	44,124-66,483	44,112-71,703	44,979-73,827	47,190-73,842	48,588-73,857

(1) Includes Seattle, Tacoma, and Bothell campuses.
(2) The University reduced resident undergraduate tuition as part of an agreement with the Legislature that resulted in increased State appropriations. See "GENERAL REVENUES—Student Tuition and Fees."
(3) Includes the Medical, Pharmacy, Dentistry and Law schools and the Master of Business Administration program; figures shown represent the range from lowest to highest among these professional schools.
Source: The University.

Table 11: University FTEs[1]

	Autumn Quarter				
	2015	**2016**	**2017**	**2018**	**2019**
Undergraduate	37,975	38,673	39,525	40,355	40,310
Graduate	14,154	14,401	14,652	15,170	15,244
Professional[2]	3,834	3,900	3,978	3,980	4,105
Total University FTE	55,963	56,974	58,155	59,505	59,659

(1) Includes Seattle, Tacoma, and Bothell campuses. FTE exceeds headcount enrollment when students take more credit hours than the credit hour threshold equating to one FTE.
(2) Includes the Medical, Pharmacy, Dentistry and Law schools.
Source: The University.

Table 12: University Headcount[1]

	Autumn Quarter				
	2015	**2016**	**2017**	**2018**	**2019**
Undergraduate	40,163	40,832	41,670	42,578	42,544
Graduate	13,595	13,896	14,059	14,498	14,628
Professional[2]	2,009	2,081	2,126	2,176	2,209
Total University Headcount	55,767	56,809	57,855	59,252	59,381

(1) Includes Seattle, Tacoma, and Bothell campuses. FTE exceeds headcount enrollment when students take more credit hours than the credit hour threshold equating to one FTE.
(2) Includes the Medical, Pharmacy, Dentistry and Law schools.
Source: The University.

Tables 13 and 14 show selected faculty and student housing and dining data for autumn quarter for the past five years.

Table 13: Faculty Data[1]

	2015	**2016**	**2017**	**2018**	**2019[2]**
Number of Faculty	4,703	4,707	4,380	4,369	--
Tenure Rate (%)	36%	36%	33%	35%	--

(1) For 2015–2016 faculty data reflects core faculty comprised of professorial, instructional, and research categories. Starting in 2017 faculty data reflects full-time faculty across Seattle, Bothell, Tacoma campuses. In all years, headcount associated with temporary faculty categories is excluded.
(2) Final Autumn 2019 faculty data is not yet available.
Source: The University.

Table 14: Student Housing and Dining Data(1)

	2015	2016	2017	2018	2019
Room and Board(2)	$10,576	$11,036	$11,251	$11,925	$12,554
Autumn Opening Occupancy(3)	7,010	7,024	7,294	8,365	8,491
Occupancy(4)	112%	113%	118%	109%	111%

(1) Figures include residence hall units and exclude single student and family housing apartments.

(2) 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.

(3) Autumn opening occupancy is used to calculate capacity.

(4) 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.

Source: The University.

UNIVERSITY REVENUE AND EXPENSES

The following section provides more general information regarding University revenues and expenses. University Total Revenues may be restricted in whole or in part and, to the extent restricted, are excluded from General Revenues. Appropriated revenue also is excluded from General Revenues. Restricted, appropriated and other revenues that are excluded from General Revenues are, however, important components of the University's overall financial position. See "GENERAL REVENUES."

University Revenues

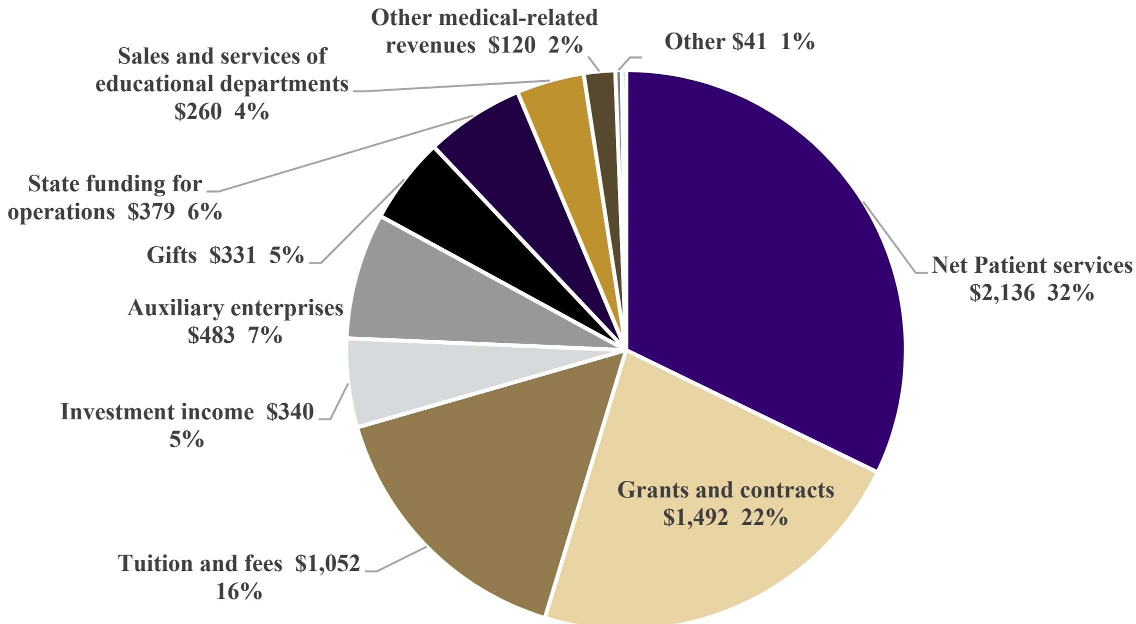
University Total Revenue by Source. The University's Total Revenues increased by 3.2 percent in Fiscal Year 2019, totaling $6.6 billion. Table 15 and Figure 2 show total University revenues by type of revenue source (including Northwest revenues in 2017–2019).

Table 15: University Total Revenue
(Fiscal Years, dollars in millions)

	2015	2016	2017	2018	2019
Net Patient services	$1,362	$1,788	$1,869	$2,008	$2,136
Grants and contracts	1,334	1,347	1,422	1,468	1,492
Tuition and fees	914	949	942	990	1,052
Investment income	227	44	442	404	340
Auxiliary enterprises	319	349	374	403	483
Gifts	200	221	289	398	331
State funding for operations	255	302	342	362	379
Sales and services of educational departments	223	223	217	243	260
Other medical-related revenues	45	51	64	104	120
State funding for capital projects	21	39	64	26	25
Other	91	87	80	20	16
Total revenue – all sources	$4,991	$5,400	$6,105	$6,426	$6,634

Source: Management's Discussion and Analysis, Audited Financial Statements of the University.

Figure 2: University Total Revenue By Source, Fiscal Year 2019
(dollars in millions, total $6,634)



Source: Chart is derived from data in the Management's Discussion and Analysis, Audited Financial Statements of the University for 2019 Fiscal Year.

University Expenses

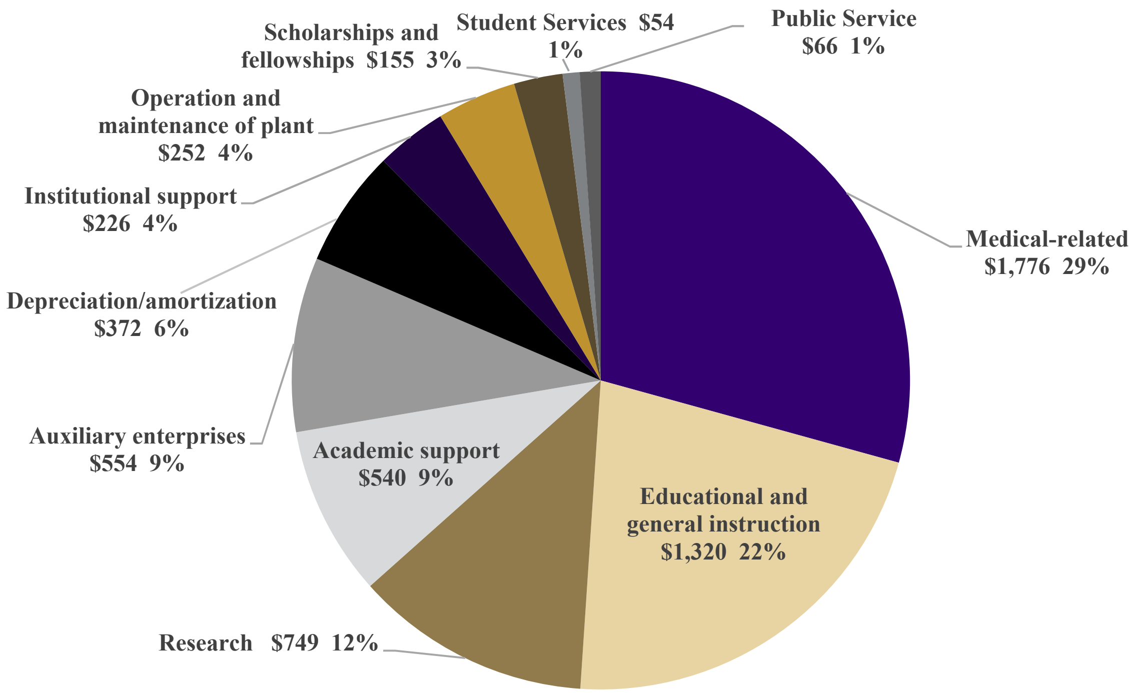
Operating Expenses. The University's operating expenses increased 3.5 percent in Fiscal Year 2019, due primarily to increased salary and benefit costs. The following table and chart show University operating expenses by functional expenditure (including Northwest expenses in 2017–2019).

Table 16: University Operating Expenses
(Fiscal Years, dollars in millions)

	2015	2016	2017	2018	2019
Medical-related	$1,193[(1)]	$1,580	$1,658	$1,712	$1,776
Educational and general instruction	1,114	1,172	1,204	1,268	1,320
Research	730	751	768	785	749
Academic support	337	398	507	512	540
Auxiliary enterprises (other than medical)	302[(1)]	422	495	495	554
Depreciation/amortization	311	342	363	384	372
Institutional support	223[(1)]	267	240	251	226
Operation and maintenance of plant	241	239	206	201	252
Scholarships and fellowships	147	156	137	149	155
Student services	43	47	49	53	54
Public service	35	39	39	49	66
Total operating expenses	$4,676	$5,413	$5,666	$5,859	$6,064

(1) Restated in 2016.
Source: Management's Discussion and Analysis, Audited Financial Statements of the University.

Figure 3: University Operating Expenses by Use, Fiscal Year 2019
(dollars in millions, total $6,064)



Source: Chart is derived from data in the Audited Financial Statements of the University for 2019 Fiscal Year.

UW MEDICINE

The University operates an integrated health system under the name "UW Medicine," consisting of University divisions, departments, component units, Harborview Medical Center, partially-owned organizations, and key affiliates and partners as shown in the following figure.

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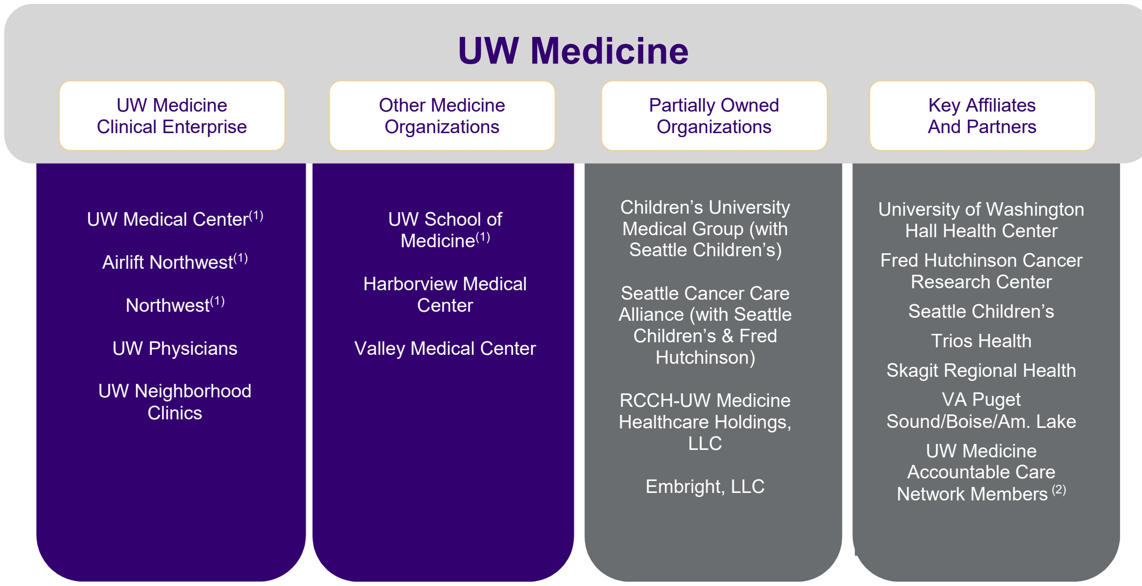
Figure 4: UW Medicine Entities



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(1) Revenues included in General Revenues (in the case of Northwest upon integration into UW Medical Center on January 1, 2020).
(2) Includes Capital Medical Center, Island Hospital & Clinics, MultiCare Connected Care, Overlake Hospital Medical Center, Eastside Health Network, Seattle Cancer Care Alliance, Seattle Children's and Skagit Regional Health.

The following provides an overview of the entities operated as the integrated health system known as UW Medicine (other than shared services), including the entities with revenues included in General Revenues (together with shared services) and the Clinical Enterprise. The Clinical Enterprise includes University divisions, departments and blended component units that generate patient services revenues. See "Table 7: UW Medicine Entities" under the heading "GENERAL REVENUES—Patient Services."

UW Medicine Entities with Revenues Included in General Revenues

UW Medical Center (including both the Montlake and Northwest campuses), Airlift Northwest, and the UW School of Medicine are, together with shared services, the UW Medicine entities with revenues included in General Revenues.

UW Medical Center. UW Medical Center is a two-campus hospital with a combined 810 licensed-bed count, with campuses at Montlake and Northwest that are financially, clinically and administratively integrated.

UW Medical Center Montlake campus provides highly specialized inpatient and outpatient healthcare to patients throughout the Pacific Northwest and also serves as a major clinical, teaching and research site for students and faculty of the University. Specialized inpatient care needs are met by the Oncology Program, the Regional Heart Center, the Neonatal Intensive Care Unit and the Organ Transplantation program, among others. The revenues, expenses, assets and liabilities of UW Medical Center Montlake campus are included in the University's financial statements.

UW Medical Center Northwest campus offers comprehensive medical, surgical and therapeutic services. UW Medicine integrated UW Medical Center and Northwest into one hospital with two campuses (under one license) on January 1, 2020. Following integration, Northwest revenues are included in General Revenues. Specifically, for Fiscal Year 2020, Northwest activity will be reported as Northwest for the six months ended December 31, 2019; thereafter Northwest activity will be included within UW Medical Center figures.

Airlift Northwest. Airlift Northwest is a medical transport service that works with first responders throughout Washington, Alaska, Montana and Idaho to transport critically ill and injured patients to local hospitals, regional trauma centers or specialty care facilities. The revenues, expenses, assets and liabilities of Airlift Northwest are included in the University's financial statements.

UW School of Medicine. The UW School of Medicine was founded in 1946 and is recognized for training primary care physicians and advancing medical knowledge through scientific research. UW School of Medicine was second in the nation in research funding received from the National Institutes of Health based on federal Fiscal Year 2018 awards. Physician faculty members of the UW School of Medicine staff UW Medical Center, Harborview and UW Neighborhood Clinics, as well as the Puget Sound Veterans Affairs Health Care System, Seattle Cancer Care Alliance ("SCCA") and Seattle Children's Hospital. The revenues, expenses, assets and liabilities of the UW School of Medicine are included in the University's financial statements.

UW Medicine Entities within the Clinical Enterprise

Together with UW Medical Center, Airlift Northwest, and shared services, the following University departments, divisions and blended component units constitute the Clinical Enterprise components of UW Medicine.

UW Physicians. UW Physicians is the physician practice group for approximately 2,400 physicians and other healthcare professionals associated with UW Medicine. UW Physicians provides primary and specialty care totaling more than one million patient visits each year. UW Physicians is a not-for-profit corporation whose members consist of clinically active faculty of the UW School of Medicine. Pursuant to an agreement between the University and UW Physicians, UW Physicians is responsible for providing medical services to patients at hospitals owned or managed by the University and other sites of practice approved by the Dean of the UW School of Medicine. UW Physicians is presented as a blended component unit of the University in the University's financial statements.

UW Neighborhood Clinics. UW Neighborhood Clinics is a network of clinics with 15 locations throughout the greater Puget Sound area. The clinics offer a spectrum of primary care services, select specialty care and urgent care services as well as ancillary services, including on-site laboratory, X-ray facilities and nutrition services. UW Neighborhood Clinics is a not-for-profit corporation organized for the benefit of the UW School of Medicine, its faculty practice plan, UW Physicians, and all of its affiliated medical centers. UW Neighborhood Clinics is presented as a blended component unit of the University in the University's financial statements.

Other UW Medicine Entities

Harborview and Valley also are part of the UW Medicine umbrella organization that coordinates the provision of patient services.

Harborview Medical Center. Harborview is a Level 1 adult and pediatric trauma and burn center with 413 licensed beds that offers specialty care in nearly every area of medicine. Harborview's primary mission is to provide and teach exemplary patient care and to provide healthcare for those patients King County is obligated to serve. Harborview is owned by King County. The University has operated and managed Harborview since 1967. The University and King County entered into a 10-year hospital services agreement (with two renewable 10-year agreement terms) in February 2016, under which the University is reimbursed by Harborview for services provided and expenses incurred, all subject to the terms of the agreement. Harborview's financial results are not included in the University's financial statements.

Valley Medical Center. Valley is a 321-licensed-bed hospital in Southeast King County, and is a full-service acute care public hospital. Valley is owned and operated by Public Hospital District No. 1 of King County (the "District"). The District is a public agency as defined by RCW 39.34.020(1) and a municipal corporation. In addition to the hospital, the District operates a network of primary care, urgent care and specialty clinics throughout Southeast King County. The District entered into a strategic alliance with UW Medicine in 2011. Valley continues to be included as a discretely presented component unit of the University following implementation of GASB Statement No. 80, Blending Requirements for Certain Component Units effective as of Fiscal Year 2017 ("GASB 80").

Patient Activity Statistics

Table 17 shows patient activity statistics for UW Medical Center as well as for UW Medicine, the umbrella organization coordinating patient services between UW Medical Center Montlake campus, UW Medical Center Northwest campus, the other UW Medicine hospitals (Harborview and Valley) and other entities. As shown in "Table 7: UW Medicine Entities" under the heading "GENERAL REVENUES—Patient Services," the revenues of UW Medical Center, Airlift Northwest and shared services are included in General Revenues, and the revenues of Northwest are included commencing January 1, 2020. See Figure 4 – "UW Medicine Entities."

Table 17: UW Medical Center, Clinical Enterprise and UW Medicine Patient Activity Statistics
(Fiscal Years)

	2015	2016	2017	2018	2019
UW Medical Center(1) (included in General Revenues and a component of the Clinical Enterprise)					
Admissions	18,092	18,362	18,964	19,350	18,948
Outpatient Visits	302,038	320,037	341,014	353,718	364,006
Emergency Visits	26,465	26,555	27,730	28,279	28,765
Northwest (a component of the Clinical Enterprise and, commencing January 1, 2020, included in UW Medical Center and in General Revenues)					
Admissions	9,934	10,060	9,945	9,935	9,767
Outpatient Visits	195,031	197,132	174,257	169,370	166,707
Emergency Visits	36,159	35,068	34,150	33,651	32,587
Clinical Enterprise(2) (includes UW Medical Center and other Clinical Enterprise entities)					
Admissions	N/A(3)	28,422	28,909	29,285	28,715
Outpatient Visits	N/A(3)	817,968	853,445	895,501	904,017
Emergency Visits	N/A(3)	61,623	61,880	61,930	61,352
UW Medicine(2) (excludes UW School of Medicine)					
Admissions	62,562	62,909	64,220	64,410	63,059
Outpatient Visits	1,486,856	1,570,217	1,641,203	1,782,435	1,832,555
Emergency Visits	206,091	204,466	204,634	204,544	202,202

(1) Commencing January 1, 2020, patient activity statistics will be reported for UW Medical Center, which will include both Montlake and Northwest campuses.
(2) See "Table 7: UW Medicine Entities."
(3) The Clinical Enterprise began preparing separate audited financial statements in Fiscal Year 2016.
Source: The University.

UW Medicine Joint Ventures

As shown in Figure 4, UW Medicine includes organizations owned, in part, by the University.

Seattle Cancer Care Alliance. SCCA is a joint venture of UW Medicine, Seattle Children's Hospital and Fred Hutchinson Cancer Research Center. SCCA integrates the cancer research, teaching and clinical cancer programs of all three institutions to provide cancer care. Each member of SCCA has a one-third interest. The University accounts for its share of the joint venture under the equity method of accounting.

Children's University Medical Group. Children's University Medical Group ("CUMG") is a joint venture of UW Medicine and Seattle Children's Hospital established to assist the organizations in carrying out their pediatric patient care, charitable, educational and scientific missions. CUMG employs UW School of Medicine faculty physicians, and it bills and collects for their services as an agent of UW School of Medicine. The University records revenue from CUMG based on an income distribution plan effective December 31, 2008.

RCCH-UW Medicine Healthcare Holdings, LLC. RCCH-UW Medicine Holdings, LLC is a joint venture of UW Medicine and RCCH Healthcare Partners ("RCCH"), which created a public-private partnership to own and operate community hospitals in Washington, Alaska, and Idaho. The partnership will take the form of a limited liability company that will own and operate community hospitals or other healthcare entities. RCCH will operate and manage these facilities and UW Medicine will provide clinical expertise.

Pacific Northwest Clinically Integrated Network, LLC dba as Embright. Embright is a joint venture of UW Medicine, MultiCare Health System, and Life Point Health. Embright is a clinically integrated network that enables the partners to develop care delivery models that will improve patient care and experience at a more affordable cost. UW Medicine currently has an ownership interest of 45% in Embright.

Strategic Initiatives

As shown in Figure 4, UW Medicine also includes key affiliations and non-University owned partners.

In addition to its strategic alliance with Valley, its management agreement with Harborview, and its partial ownership of the organizations described above, UW Medicine has entered into a number of affiliations, alliances and collaborations with third-party entities as part of its mission to improve the health of the public, including the following. These relationships are intended to address and further UW Medicine's goals as described in "APPENDIX B–AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019)" and below.

During the Fiscal Year 2019 Washington State legislative session, UW Medicine was awarded new funding to expand Behavioral Health Services. Specifically, the State awarded $33.3 million for the planning and design work necessary to build a Behavioral Health Teaching Facility at UW Medical Center, which will be located on the UW Medical Center Northwest campus. Planning work is currently underway to design the facility using the initial capital funding appropriation in order to seek the second phase of capital funding of $192.0 million during the Fiscal Year 2021 legislative session.

In July 2018, the Board of Regents granted approval to proceed with the UW Medicine clinical transformation project, which is being called "Destination One." This multi-year project is intended to allow UW Medicine to improve patient engagement, to enhance physician and practitioner experience and to achieve business and operating efficiencies through development of foundational systems and improved staffing workflows. Patient engagement will be enhanced through development of a single online patient portal for activities between the patient and UW Medicine. UW Medicine seeks to achieve business and operating efficiencies through simplification and standardization across operations and information technology, to improve revenue cycles and to optimize resource utilization. Total project costs are estimated at $180 million, of which $129 million is expected to be financed by the University. The remaining portion is expected to be funded with equity contributions from Harborview, UW Medical Center, and the Seattle Cancer Care Alliance. The project began in November 2018 and is expected to be fully implemented in October 2020.

In November 2018, the Board of Regents granted approval to proceed with the Childbirth Center at UW Medical Center Northwest campus. The project will renovate approximately 23,000 square feet of existing space in three adjoining wings (including one that is not part of the current Childbirth Center) plus approximately 1,600 square feet of new space to house a new C-section suite. The project cost is approximately $25 million and is expected to be completed in fall 2021.

RECENT DEVELOPMENTS AND OTHER UNIVERSITY INFORMATION

Patient Services Operating Results

UW Medical Center and Northwest had total margins of 5.3% and negative 10.5% respectively in Fiscal Year 2019 (see Table 18 for information regarding total operating revenue, operating margin and net income). UW Medical Center's margin was primarily due to increases in inpatient and outpatient volumes, a slight improvement in commercial payer mix, strong performance by the contract pharmacies and positive year-end actuarial adjustments for pension and post-retirement obligations. In addition, Fiscal Year 2019 results reflected achievement of targeted volume adjusted labor expense levels at UW Medical Center. Margins were unfavorable at Northwest for a variety of reasons, including lower than anticipated inpatient and outpatient volumes, unfavorable commercial payer mix, timing and expense differences in the planned transition of several professional practices to UW Physicians and a voluntary early retirement program that was offered in Fiscal Year 2019.

On November 9, 2017, the Board of Regents approved UW Medicine's Financial Improvement and Transformation plan ("Project FIT"), a three-year plan designed to improve financial stability and position UW Medicine for the future. Specifically the plan is intended to improve margins over the three-year period so that, by Fiscal Year 2020, balance sheet and cash levels would strengthen. As part of Project FIT, financial improvement has been achieved through revenue generation and cost savings with continued infrastructure investment. In general, UW Medicine's strategies are intended to improve financial performance through the reduction of costs and streamlining the provision of clinical care, as well as mitigating recent negative reimbursement trends being experienced within the market. Challenges include a continued focus on patient volumes shifting from inpatient to outpatient settings due to technological advancements and demand for care that is more convenient, affordable and accessible as well as the industry-wide experience of rate increases at less than inflation along with migration to value-based payment models as government and private payers shift risk to providers.

Fiscal Year 2019 represented the second year of Project FIT. It is anticipated that the Board of Regents will review Project FIT in spring 2020 and reevaluate extending Project FIT for a yet-to-be-determined period of time. Overall, UW Medicine on a combined basis (excluding UW School of Medicine) exceeded Project FIT targets for Fiscal Year 2019 with a total margin of 1.6 percent overall.

The Clinical Enterprise total margin of 1.5 percent for Fiscal Year 2019 improved from Fiscal Year 2018's total margin of negative 2.0 percent. The Clinical Enterprise exceeded its planned total margin target of 0.7 percent. Northwest's total margin in Fiscal Year 2019 of negative 10.5 percent fell short of the negative 0.8 percent target.

Patient services revenues included in General Revenues were $1.48 billion in Fiscal Year 2019. See "Table 5: General Revenues" and "Table 7: UW Medicine Entities." Table 18 shows financial information for UW Medical Center, as well as for the Clinical Enterprise and the overall UW Medicine organization.

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Table 18: UW Medical Center, Clinical Enterprise, and UW Medicine Financial Information
(Fiscal Years, dollars in thousands)

	2015	2016	2017	2018[3]	2019[3]
UW Medical Center (included in General Revenues and a component of the Clinical Enterprise) [1]					
Total Operating Revenue	$1,083,584	$1,135,626	$1,182,856	$1,260,010	$1,412,923
Operating Margin	4.9%	(0.2%)	(4.0%)[2]	(1.7%)	4.6%
Net Income	26,745	(27,679)	(44,323)	(16,645)	75,304
Northwest (a component of the Clinical Enterprise and, commencing January 1, 2020, included in UW Medical Center and General Revenues) [1]					
Total Operating Revenue	$357,054	$372,751	$358,700	$370,770	$374,908
Operating Margin	(5.0%)	(6.0%)	(9.9%)	(7.7%)	(12.2%)
Net Income	(5,283)	(4,511)	(26,314)	(21,010)	(39,993)
Clinical Enterprise (includes UW Medical Center and other Clinical Enterprise entities)[3][4]					
Total Operating Revenue	N/A	$1,898,148	$1,968,019	$2,082,793	$2,281,751
Operating Margin	N/A	(2.9%)	(4.2%)	(3.0%)	0.4%
Net Income	N/A	(31,144)	(67,505)	(41,976)	33,687
UW Medicine Combined[4][5] *(excludes UW School of Medicine)*					
Total Operating Revenue	3,157,955	3,561,102	3,752,120	3,954,585	$4,287,263
Operating Margin	2.4%	(0.8%)	(2.7%)[2]	(1.3%)	0.7%
Net Income	80,597	(4,807)	(84,502)	(8,692)	71,063

(1) UW Medical Center Montlake campus revenues were included in General Revenues in Fiscal Years 2015-2019. Commencing January 1, 2020, UW Medical Center Northwest campus revenues are included in General Revenues.

(2) $32 million of primary care funding for Neighborhood Clinics was reclassified from non-operating to operating expense. Prior to the reclassification, for example, UW Medical Center operating margin would have been (1.35) percent.

(3) Includes net pension and post retirement obligations income (expense) of ($2,893,000) in 2018 and $30,724,000 in 2019 for UW Medical Center and ($5,779,000) in 2018 and $34,136,000 in 2019 for the Clinical Enterprise.

(4) See “Table 7: UW Medicine Entities.”

(5) UW Medicine financial statements are audited at the Clinical Enterprise level.

Source: The University.

Grant and Contract Revenues; Grant Awards. Grant and contract revenues accounted for 22.5 percent of University Total Revenue in Fiscal Year 2019. In Fiscal Year 2019 federal and non-federal grant and contract awards were $1.58 billion, which represented a 17 percent increase from Fiscal Year 2018.

Federal grants and contracts increased by 18 percent in Fiscal Year 2019, including a 22 percent increase from the National Institutes of Health, a 22 percent increase from the Centers for Disease Control and a five percent increase from the National Science Foundation. Non-federal grant and contract funding increased by 12 percent in Fiscal Year 2019 including a 10 percent increase from foundations and a 19 percent increase from associations and non-profits.

The University’s expectations with regard to future grant and contract revenues (and therefore future grant and contract indirect cost revenues) are informed by its awards.

Table 19 shows the University's grant and contract awards for Fiscal Years 2015 through 2019.

Table 19: Grant and Contract Awards
(Fiscal Years, dollars in millions)

By Source	2015	2016	2017	2018	2019
Federal Grants and Contracts	$ 1,040	$ 992	$ 1,033	$ 1,035	$ 1,224
Non-Federal Grants and Contracts	269	373	595[(1)]	316	355
Total[(2)]	$ 1,309	$ 1,365	$ 1,628	$ 1,351	$ 1,579

School/College[(3)]	2015	2016	2017	2018	2019
Medicine[(4)]	$ 659	$ 715	$ 1,003[(1)]	$ 632	$ 784
Environment	115	99	93	121	111
Engineering	113	104	97	125	136
Arts and Sciences	107	97	106	98	124
Public Health	88	116	119	134	181
Other	227	234	210	241	243
Total[(2)]	$ 1,309	$ 1,365	$ 1,628	$ 1,351	$ 1,579

(1) Includes a $279 million 10-year grant from the Bill and Melinda Gates Foundation.
(2) Totals subject to change per negotiations with sponsors after Fiscal Year end. Total does not include external financial aid grants to undergraduates.
(3) Purpose is determined by the unit that provides award administration and is subject to change due to reorganization. In 2018, Health Sciences schools were consolidated into "Other."
(4) Refers to the UW School of Medicine.
Source: The University.

State Appropriations and Tuition. State appropriations and tuition accounted for 21.9 percent of University Total Revenue in Fiscal Year 2019. As described under the heading "GENERAL REVENUES—Student Tuition and Fees," following a period during which tuition revenue grew as State appropriations to the University declined, the State has begun to reverse that trend through increased appropriations since Fiscal Year 2015.

State appropriations accounted for approximately 6.1 percent of the University's Total Revenue in Fiscal Year 2019. The State appropriates funds for certain University operating expenses and for a portion of the University's capital budget. These appropriations are subject to the Legislature's biennial budget process. Table 20 shows University expenditures of State operating and capital appropriations to the University in Fiscal Years 2015 through 2019.

Table 20: Expenditures of State Appropriations to the University By Type
(Fiscal Years, dollars in millions)

	2015	2016	2017	2018	2019
Operating Appropriations	$255	$302	$342	$362	$379
Capital Appropriations[(1)]	21	39	64	26[(2)]	25
Total Appropriations	$276	$341	$406	$389	$404

(1) Reflects expenditures made on capital projects; varies depending on project schedules.
(2) Some projects that were slated to receive funding for the beginning of Fiscal Year 2018 were delayed by several months, resulting in lower expenditures. Totals may not foot due to rounding.
Source: The University.

In recent biennia, additional State tax collections and new revenue were largely allocated by court-mandated increases to K-12 education funding (*McCleary v. Washington*). As a result, non-mandatory State programs, including higher education, did not receive significant additional funding. The 2019 Legislature passed a final compromise operating budget for the 2019-2021 biennium, and the University's Fiscal Year 2020 general operating appropriation from the State represents a significant increase over the Fiscal Year 2019 appropriation. Recent increases are largely attributable to targeted investments in foundational support and STEM enrollments included in House Bill 2158 (known as the Workforce Education Investment Act), which created a dedicated source of funding for higher education by increasing business and occupation (B&O) taxes on professional services. The University also received new appropriations for compensation, medical education, hospital and dental clinic safety net support, and targeted research investments. These investments are largely consistent with what the University requested from the State.

State funding for capital appropriations continues to be constrained, but the State's 2019-2021 biennial capital budget provided State bonding capacity or other funding for several critical capital projects that the University requested for the 2019-2021 biennium. These include a health sciences education building, STEM-related buildings across all three campuses, and seismic upgrades. The State also provided significant funding for the University to expand mental health services through a new behavioral health teaching facility.

Gifts. Gifts accounted for 5.0 percent of University revenue in Fiscal Year 2019. Philanthropic support decreased slightly in Fiscal Year 2019 due to a $75 million pledge payment (scheduled for June 2019) for the Population Health building being pushed into Fiscal Year 2020 at the request of the donor. In Fiscal Year 2019, the University received $684 million in total private support from 142,000 donors, up from the trailing five-year average of $551 million. Of the $684 million received in Fiscal Year 2019, approximately $365 million was private gifts and approximately $318 million was private grants. The University formally announced its Be Boundless Campaign, with a goal of at least $5 billion, on October 21, 2016. Although the goal was reached in October 2018, the campaign will extend until June 30, 2020. Campaign commitments totaled over $5.6 billion at the end of Fiscal Year 2019.

Beginning with audited financial statements for Fiscal Year 2018, new GASB standards apply to irrevocable split-interest agreements, a specific type of giving arrangement used by donors to provide resources to two or more beneficiaries. See Note 1 in "APPENDIX B—AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019)."

INVESTMENTS

Governance

The Board of Regents is vested by statute with the responsibility of managing the University's assets, including its investments. Depending on whether investments are restricted or unrestricted, investments may be available for payment of General Revenue obligations. Unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, are included in and available to pay obligations secured by General Revenues.

The Board of Regents establishes investment policy and has delegated authority to carry out the day-to-day activities of the investment portfolios to the University of Washington Investment Management Company ("UWINCO"), an internal investment management company, which is led by the Chief Investment Officer of the University. Investment performance is reviewed quarterly by the University of Washington Investment Management Company Board, which is the advisory board to the Board of Regents and UWINCO. Balances and returns on these funds have varied, sometimes significantly, from period to period. See Note 6 in "APPENDIX B - AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019)" and "RECENT DEVELOPMENTS AND OTHER UNIVERSITY INFORMATION—Investment Income."

Invested Funds and Consolidated Endowment Fund

The University invests both Invested Funds ("IF") and the Consolidated Endowment Fund ("CEF"). The IF reflects the total value of the University's operating fund investments. The CEF is the investment pool consisting of the University's endowments (a permanent fund established through private gifts to support the program(s) specified by the donor).

IF Pools

The IF currently consists of four pools: Short-term Pool, Intermediate-term Pool, Long-term Pool and Capital Assets Pool ("CAP"). Although the pool names were updated by the Board of Regents in May 2017, the investment strategies of the individual pools remain the same. The Short- and Intermediate-term Pools are invested primarily in high quality, fixed-income securities to meet the day-to-day obligations of the University. The Long-term Pool holds CEF units that are intended to enhance the overall portfolio return. In May 2014, the Board of Regents approved the CAP, which allows funds to be used to make internal loans to pay for approved University capital projects. The size of the CAP is targeted at 10 percent of the IF, and the maximum size is limited by policy to 15 percent of the IF.

University policy stipulates the following minimum and maximum percentages that the IF may be invested in these pools as of June 30, 2019. The percentages that were invested in these pools for the periods ended June 30, 2018 and June 30, 2019 are shown below.

Table 21: Invested Funds

	Policy Percent	Percent as of June 30, 2018	Percent as of June 30, 2019
Short-term Pool	10%-50%	51%	47%
Intermediate-term Pool	15%-60%	19	20
Long-term Pool	15%-45%	25	27
Capital Assets Pool	0%-15%	5	6

Source: University of Washington Investment Management Company.

CEF Distributions

The Board of Regents-approved spending policy for the CEF consists of distributions to endowed programs and an additional administrative fee to support fundraising and stewardship activities and investment management. Both program distributions and the administrative fee are based on a percentage of the CEF's twenty-quarter rolling average market value. In February 2019, the Board of Regents approved a total spending reduction, which is from 5.0 percent to 4.5 percent. The spending reduction is being phased in as follows:

	Total Spending	Program Distributions	Administrative Fee
Fiscal Year 2019	5.00%	4.00%	1.00%
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

All endowments will utilize the same rates. Once fully implemented, in Fiscal Year 2022, the 4.5 percent spending rate will consist of a 3.6 percent endowed program distribution rate and a 0.9 percent administrative fee distribution rate. The revised distribution rate is intended to put the endowment funds on a more sustainable trajectory given an anticipated lower return environment.

Investment Income

Investment income was $340 million in Fiscal Year 2019, down from $404 million in Fiscal Year 2018. The primary contributors (approximately 90 percent) of University investment income are returns on the CEF and IF. As of June 30, 2019, the CEF was valued at $3.6 billion and the IF (or operating fund investments) at $1.6 billion, for total investment-related assets of $5.2 billion. This adjusted IF balance excludes $649 million in CEF units owned in the IF Long-term Pool, $134 million in the CAP and $313 million in the University's Supplemental Retirement Fund ("SRP").

IF year-end market values for the last five Fiscal Years are shown below. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019)," which includes notes to the financial statements detailing the investment of the IF.

Table 22: Operating Invested Funds
Market Values[1]
(Fiscal Years, dollars in millions)

	2015	2016	2017	2018	2019[2]
Total Market Value	$1,526	$1,492	$1,659	$1,788	$1,634

(1) Represents the Short- and Intermediate-term Pools, excludes the Long-term Pool and the CAP.
(2) Excludes the SRP after December 31, 2018.
Source: University of Washington Investment Management Company.

CEF year-end market values and returns for the last five Fiscal Years are shown below. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019)," which includes notes to the financial statements detailing the investment of the CEF.

Table 23: Consolidated Endowment Fund
Market Values & Returns[1]
(Fiscal Years, dollars in millions)

	2015	2016	2017	2018	2019
Total Market Value	$3,076	$2,968	$3,144	$3,407	$3,588
Annualized One-Year Return	6.8%	(1.6)%	13.6%	9.6%	5.8%

(1) Includes the IF Long-term Pool.
Source: University of Washington Investment Management Company.

Table 24 shows investments in the IF and the University demand deposit account by liquidity (daily and weekly). Liquidity can vary up to $150 million per quarter due to the timing of tuition, gifts, capital expenditures, and other University activities.

Table 24: University Liquidity
(unaudited, dollars in thousands, as of September 30, 2019)

Daily Liquidity[1]	**Amount**
Money Market Funds[2]	$85,824
Weekly Liquidity[3]	
U.S. Treasuries and Agencies	1,258,864
Fixed Income	454,329
Total Weekly Liquidity	$1,713,193
Total Daily & Weekly Liquidity[4]	$1,799,017

(1) Investments that can be liquidated on a same-day basis, if sale executed prior to 10:00 a.m., Pacific time.
(2) Includes Bank of America balance of $60 million.
(3) Investments that can be liquidated within two to seven days.
(4) Excludes $642 million in the IF Long-term Pool and $330 million in the SRP.
Source: University of Washington Investment Management Company.

LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION

Labor Relations

The University employs approximately 47,000 full-time and part-time employees, of whom approximately 25,700 are unionized. The University has negotiated collective bargaining agreements with the following unions.

Table 25: Collective Bargaining Agreements

Bargaining Unit	Contract Expiration Date
Pursuant to chapter 41.80 RCW	
Service Employees International Union ("SEIU") Local 925 (clerical and healthcare employees)	June 2021
SEIU Local 1199 NW (registered nurse, healthcare specialist, imaging tech, social worker, anesthesia and respiratory tech employees primarily at Harborview and at Airlift Northwest)	June 2021
SEIU Local 1199 Research/Hall Health (registered nurses at Research/Hall Health)	June 2021
Teamsters Local Union No. 117 (police officers)	June 2021
Washington Federation of State Employees ("WFSE," service, library, public safety, skilled trade and healthcare employees)	June 2021
WFSE Police Management (sergeants and lieutenants)	June 2021
Washington State Nurses Association ("WSNA," registered nurses at the UW Medical Center)	January 2021
Pursuant to chapter 41.56 RCW	
American Federation of Teachers ("AFT") Local 6486 (English language extension lecturers within UW Continuum College)	June 2021
UAW – Postdoctoral Employees Local 4121 (postdoctoral employees)	June 2021
Other	
Screen Actors Guild – American Federation of Television and Radio Artists (47 employees at the KUOW radio station)	June 2022
SEIU 1199 (approximately 1,200 Northwest medical technicians and assistants and service and maintenance employees)	June 2021
WSNA (approximately 600 Northwest registered nurses)	June 2021
United Auto Workers Local 4121 (approximately 4,600 academic student employees)	April 2021

As a result of the integration of Northwest into the UW Medical Center, the University negotiated transition agreements with the two unions representing Northwest employees: SEIU Local 1199, which represents approximately 1,200 medical technicians and assistants and service and maintenance employees, and WSNA, which represents approximately 600 registered nurses. Following integration of Northwest on January 1, 2020, the University follows the terms of the Northwest collective bargaining agreements for both unions, except as modified by the respective transition agreements. These contracts are set to expire on June 30, 2021.

The University and the Inlandboatmen's Union of the Pacific (mariners) did not successfully conclude bargaining by the October 1, 2019 deadline. According to RCW 41.80, the University will not be eligible to receive State funding for this group and no across-the-board increases will be paid to this group of 19 workers.

The University is currently negotiating a successor agreement with the UW Housestaff Association (representing approximately 1,400 medical residents and fellows at the University).

In 2018, the Legislature passed House Bill 2669 ("HB 2669") eliminating the exemption for "part-time" employees from civil service rules. This bill has resulted in rule-making addressing temporary employment. The temporary employee rules are under review, including for fiscal impact. As currently drafted, the rule could affect a significant number of University temporary employees and University costs in bargaining new provisions for temporary employees, such as regular across-the-board increases, regular step increases, and vacation time off accruals, are expected to increase. In addition, the State adopted rules in December 2019 to raise the salary threshold for the employee overtime exemption. The new rule will phase in over time (eight years, beginning July 2020), affecting thousands of University employees. The cost, which is expected to be significant, may be mitigated to some degree depending on how overtime is managed at the department level.

Risk Management

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, aviation and certain other risks. The University also purchases insurance protection for loss of property at self-sustaining units and bond-financed buildings and where otherwise required by contract; otherwise, the risk of property loss is retained, unfunded. For medical professional, general, employment practices, automobile liability and information security and privacy protection, the University maintains a program of self-insurance reserves and excess insurance coverage. The self-insurance reserves represent the estimated ultimate cost of settling claims resulting from events that have occurred on or before the statements of net position date. The reserves include 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 reserves are estimated through an actuarial calculation and included in long-term liabilities. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019)." Changes in the self-insurance reserves for the years ended June 30, 2015 through 2019 are noted below:

Table 26: University Self-Insurance Reserves
(Fiscal Years, dollars in thousands)

	2015	2016	2017	2018	2019
Reserve at Beginning of Fiscal Year	$67,450	$82,201	$79,153	$78,484	$112,210
Incurred Claims and Changes in Estimates	29,495	24,778	15,026	42,033	22,178
Claim Payments	(14,744)	(27,826)	(15,695)	(8,307)	(34,225)
Reserve at End of Fiscal Year	$82,201	$79,153	$78,484	$112,210[(1)]	$100,163

(1) Increased self-insurance reserve in Fiscal Year 2018 to reflect settlements.
Source: The University.

Pension Plans

The University offers four contributory pension plans: the Washington State Public Employees Retirement System ("PERS") plan, the Washington State Teachers' Retirement System ("TRS") plan, the Washington State Law Enforcement Officers' and Fire Fighters' Retirement System ("LEOFF") plan and 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"). The UWRP, a single-employer defined-contribution plan, is administered by the University. The University's noncontributory pension plan, the University of Washington Supplemental Retirement Plan, is a single-employer defined-benefit plan, but is closed to employees who were not active participants on February 28, 2011. Note 15 in "APPENDIX B—AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019), includes plan descriptions and additional information.

Significant reporting and actuarial assumptions related to the DRS plans in which the University participates are as follows:

- *Fiduciary Net Position* – The pension plans' fiduciary net positions have been determined on the same basis as they are reported by the pension plans. 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.

DRS publishes an annual report for retirement plans, which is available at: http://www.drs.wa.gov/administration/annual-report/ (which is not incorporated into this Official Statement by this reference).

- *Actuarial Assumptions* – The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (the "OSA") as of June 30, 2017, with the results rolled forward to June 30, 2018 (the measurement date for the University's Fiscal Year 2019 total pension liability). The following actuarial assumptions have been applied to all prior periods included in the measurement:

    - 2.75 percent total economic inflation, 3.50 percent salary inflation
    - Salary increase – expected to grow due to promotions and longevity in addition to salary inflation assumption
    - 7.40 percent investment rate of return

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

- *Discount Rate* – The discount rate used to measure the total pension liabilities was 7.40 percent.

Employer Contribution Rates*.*

The University's proportionate share of the net pension liability/asset of each DRS plan in which the University participates is shown in Table 27.

Table 27: University's Proportionate Share
(as of June 30)

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2019 Share	8.20%	10.24%	0.24%	0.24%	0.23%
2018 Share	8.44%	10.48%	0.20%	0.19%	0.22%

Source: The University.

The University's proportionate share of pension expense is shown in the table below.

Table 28: University's Proportionate Share of Pension Expense
(as of June 30, dollars in thousands)

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2019 Amount[(1)]	$20,434	($830)	$2,035	$822	($455)
2018 Amount[(1)]	$23,229	$55,060	$1,747	$927	($144)

[(1)] Negative value indicates overfunding.
Source: The University.

Table 29: Contribution Rates and Funded Status By Plan
(as of June 30, dollars in thousands)

2019	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
Required University Contributions	$1,231	$141,681	$52	$2,511	$436
Covered Employee Payroll	1,116,298	1,106,678	16,677	16,337	4,882
University Contributions as a Percent of Payroll (Contribution Rates)	0.1%	12.8%	0.3%	15.4%	8.9%
Plan Fiduciary Net Position Percent of Total Net Pension Liability (funded status)	63.2%	95.8%	66.5%	96.9%	118.5%

2018	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
Required University Contributions	$1,582	$134,239	$48	$2,036	$400
Covered Employee Payroll	1,074,943	1,062,415	13,986	13,664	4,487
University Contributions as a Percent of Payroll (Contribution Rates)	0.2%	12.6%	0.3%	14.9%	8.9%
Plan Fiduciary Net Position Percent of Total Net Pension Liability (funded status)	61.2%	91.0%	65.6%	93.1%	113.4%

Source: The University.

University Aggregated Balances. The University's aggregated balances of net pension liabilities and net pension assets as of June 30, 2019 and 2018 are presented in the following table:

Table 30: University's Share of Net Pension Liabilities/Assets
(as of June 30, dollars in thousands)

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2019 Net Pension (Liability)/Asset	($366,403)	($174,913)	($7,061)	($1,066)	$4,590
2018 Net Pension (Liability)/Asset	($400,426)	($364,073)	($6,076)	($1,796)	$2,995

Source: The University.

Retirement Plan (403(b)) and Supplemental Retirement Plan (401(a)). Faculty, librarians and professional staff are eligible to participate in the UWRP, a 403(b) defined-contribution plan, and the UW Supplemental Retirement Plan (UWSRP), a 401(a) defined-benefit retirement plan that is closed to new participants and operates in tandem with the 403(b) plan. Both plans are administered by the University. Note 15 in "APPENDIX B—AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019), includes plan descriptions and additional information.

- *UWRP Funding Policy*. Employee contribution rates are 5 percent, 7.5 percent or 10 percent of salary, based on age. 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. Employer contributions for the years ended June 30, 2019 and 2018 were $126.0 million and $122.8 million, respectively.

- *UW Supplemental Retirement Plan Funding*. The University received an actuarial valuation of the supplemental payment component of the UWRP with a valuation date of June 30, 2018. Update procedures performed by the Office of the State Actuary were used to roll forward the total pension liability to the measurement date of June 30, 2019.

The University has set aside assets of $327.7 million and $261.1 million as of June 30, 2019 and 2018, respectively, for this liability. These funds do not meet the GASB technical definition of "Plan Assets" because they have not been segregated and restricted in a trust or equivalent arrangement. The total pension liability, therefore, does not reflect a credit for these amounts.

Table 31: Changes in Total Pension Liability UWSRP
(Fiscal Year, dollars in thousands)

	2019
Beginning Total Pension Liability	$412,481
Service Cost	11,823
Interest	16,277
Differences Between Expected and Actual Experience	102,713
Changes in Assumptions	58,228
Benefits Payments	(7,482)
Ending Total Pension Liability	**$594,040**
UWSRP Covered Employee Payroll	$787,384
Total Pension Liability as a Percentage of Covered Employee Payroll	75.44%

Source: The University.

Table 32: Significant Assumptions Used to Measure the Total Pension Liability
(dollars in thousands)

Inflation:	2.75%
Salary changes:	4.25%
Source of mortality assumptions:	RP-2000 Combined Healthy Table, with generational mortality improvements using 100 percent Scale BB
Date of experience study:	April 2016
Discount rate:	3.50%
Source of discount rate:	Bond Buyer's 20-bond index as of 6/30/19
TPL measurement at discount rate:	$594,040
TPL discount rate increased 1 percent:	$518,334
TPL discount rate decreased 1 percent:	$685,507

Source: The University.

Material assumption changes during the measurement period include updating the GASB Statement No. 73 discount rate from 3.87 percent to 3.50 percent (decreased the total pension liability) and actual returns for CREF investments.

Other Post-Employment Benefits ("OPEB")

OPEB are benefits provided to retired employees (and their spouses) beyond those provided by their pension plans. These programs for employees of the State are administered by the Washington State Health Care Authority ("HCA"). Note 16 in "APPENDIX B—AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019), includes plan descriptions and additional information.

Table 33: Significant Assumptions Used to Measure the Total OPEB Liability
(dollars in thousands)

Inflation:	2.75%
Healthcare Cost Trend Rate:	Trend rate assumptions vary slightly by medical plan. Initial rate is 8.00%. Reaching an ultimate rate of approximately 4.5% in 2080
Salary Increase	3.50%, including service-based salary increases
Source of Mortality Assumptions:	RP-2000 combined healthy table and combined disabled table, with future improvements in mortality projected using 100 percent scale BB and updated based on results of the 2007–2012 experience study report
Date of Experience Study:	2007–2012 experience study report
Discount Rate:	3.87%
Source of Discount Rate:	Bond Buyer general obligation 20-bond municipal bond index as of 6/30/18 (measurement date)
Post-Retirement Participation Percentage:	65%
Fiscal Year 2019 Total OPEB Liability Measurement at Discount Rate:	$1,354,177

Source: The University.

The total OPEB liability ("TOL") for the State as of June 30, 2019 was determined by an actuarial valuation using data as of June 30, 2018. The University's proportionate share percentage was 26.7 percent and 26.9 percent as of June 30, 2019 and 2018, respectively.

The OPEB plan is funded on a pay-as-you-go basis. Accordingly, contributions from employers to the HCA occur only when benefits become due (after retirement). No qualified trust fund has been established dedicated to these benefits and there are no associated assets. As a result, the University reports a proportionate share of the State's TOL. The OPEB liability and expense will be updated annually by the Office of State Actuary and will be reflected in the University's financial statements.

Table 34: Changes in Total OPEB Liability
(Fiscal Year, dollars in thousands)

	2019
Beginning Total OPEB Liability	$1,565,213
Service Cost	84,665
Interest	58,207
Differences Between Expected and Actual Experience	53,132
Changes in Assumptions	(370,652)
Benefits Payments	(24,584)
Changes in Proportionate Share	(11,804)
Ending Total OPEB Liability	**$1,354,177**
OPEB Covered Employee Payroll	$2,493,991
Total OPEB Liability as a Percentage of Covered Employee Payroll	54.3%

Source: The University.

Material assumption changes during the measurement period include updating the discount rate as of each measurement date. The discount rate used for the beginning TOL was 3.58 percent and the discount rate used for the ending TOL was 3.87 percent, resulting in a reduction of the TOL. According to a report of the OSA, the State's total OPEB expense for Fiscal Year ending 2019 was $303,237,520, and University's proportionate share of OPEB expense was $78,429,000.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Bonds involves investment risk. Prospective purchasers of the Bonds should carefully consider all of the information set forth in this Official Statement, including its appendices, evaluate the investment considerations and merits of an investment in the Bonds and confer with their own tax and financial advisors when considering a purchase of the Bonds.

The Bonds are payable from General Revenues, which include auxiliary systems and patient services, student tuition and certain fees, grant and contract indirect costs, sales and services of educational departments of the University, other operating revenue, and IF distribution and net IF unrealized gains and losses. The University's ability to derive General Revenues from these sources sufficient to pay debt service on the Bonds depends on many factors, some of which are not subject to the control of the University. The following section discusses some of the factors affecting General Revenues; it cannot, however, describe all of the factors that could affect General Revenues.

Uncertainties in the Higher Education Sector

The U.S. higher education sector has faced uncertainties in an environment of low revenue growth from tuition (generally the main university and college revenue stream), changing enrollment trends, high student debt burdens, reduced state appropriations, federal funding constraints, and competition for sponsored research. For the largest universities, growth in patient care revenue, investment income, and grants and contracts are important factors in terms of revenue outlook. The higher education sector has experienced increased operating expenses (outpacing constrained revenue growth) as well as significant demand for capital investment in housing, dining, and student amenities, and the need to address deferred maintenance, including on aging facilities. The higher education sector will require spending on programmatic and capital investments including technology as the sector has experienced changing technology and delivery models, including a growth in online educational options. Proposals to reduce or eliminate tuition and student debt levels may have implications for the higher education sector.

Patient Services Revenues; Uncertainties of the Healthcare Sector

Patient services revenues are the largest component of General Revenues. The University generates patient services revenues through the operation of hospitals as well as neighborhood and other clinics; only a portion of these revenues is included in General Revenues. See "Table 7: UW Medicine Entities."

The ability of the University to generate patient services revenues, including patient services revenues included in General Revenues, depends, in part, upon the financial health of the healthcare sector. Healthcare is in a period of consolidation and destabilization. The operating, clinical and financial aspects of UW Medicine's work will continue to be very challenging over the next few years with the transition from fee-for-service to a value-based reimbursement system. The continued development of philanthropic revenue streams to support UW Medicine priorities will be a focus for UW Medicine going forward.

The healthcare sector continues to experience rapid change, including as a result of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act"). Legislative and regulatory efforts to significantly modify or repeal and potentially replace the Affordable Care Act, and litigation seeking to invalidate the Affordable Care Act, have created additional uncertainty; changes to the Affordable Care Act and implementing regulations could significantly impact UW Medicine. As the healthcare industry experiences change, continued reimbursement pressure from commercial and governmental payers as well as inflationary increases in expenses have resulted in diminishing margins.

Other challenges inherent to the healthcare sector include potential funding cuts for Medicare and Medicaid, lower patient volumes, and payer reimbursement pressure. UW Medicine hospitals have agreements with federal and State agencies and commercial insurers that provide for payments at amounts less than the costs of providing the care. The payer mix is a key factor in the overall financial operating performance of the various UW Medicine components providing patient services. Consistent with national and regional trends, UW Medicine has experienced slower growth of inpatient admission volumes over the past few years while at the same time seeing an increase in patient acuity and strong growth in the inpatient observation and outpatient clinic areas.

The Affordable Care Act and its implementation have faced legal and legislative challenges, including repeated repeal efforts and litigation, since its enactment. UW Medicine management cannot determine the impact any major decision, modification or repeal of the Affordable Care Act, or any replacement healthcare reform legislation, might have on patient services revenues that contribute to General Revenues, though such impacts could be material. Public and nonprofit healthcare providers often treat large numbers of indigent patients who are unable to pay in full for their medical care. Congress eliminated the Affordable Care Act's individual mandate to maintain health insurance coverage. Each of these changes may increase the number of individuals without health insurance, resulting in higher health insurance premiums, increased levels of indigent care and other potential consequences which UW Medicine management cannot predict. State law codified at RCW 70.170.060 prohibits hospitals from denying access to emergency care based on inability to pay or maintaining admissions policies that result in significant reductions in charity care.

Among other provisions (some of which are described herein), the Affordable Care Act created "health insurance exchanges" in which health insurance can be purchased by certain groups and segments of the population, expanded the availability of subsidies and tax credits for premium payments by some consumers and employers and required that certain terms and conditions be included by commercial insurers in contracts with providers. In addition, the Affordable Care Act imposed many obligations on states related to health insurance. The exchanges are still relatively new, participation in them is changing, there is ongoing litigation regarding the subsidies, and the Trump administration has taken and proposed recent actions related to the health insurance marketplaces (including proposing to eliminate subsidies). UW Medicine management cannot predict the effects of the exchanges upon the financial condition of any third-party payer that offers health insurance or the rates paid by third-party payers to providers and, thus, upon patient services revenues and the operations, results of operations and financial condition of the various UW Medicine components providing patient services.

The healthcare sector has undergone and may continue to undergo significant legislative and regulatory change, including as described above. To date these changes and other factors have led to mergers, acquisitions, consolidations, bankruptcies and closures. The University has entered into a number of recent affiliations, strategic alliances and collaborative relationships, and expects to enter into future arrangements. The University has experienced and expects a continued period of transition as it works to align affiliated and third-party entities' services and performance with broader UW Medicine objectives. UW Medicine (and more specifically the UW Medicine hospitals with revenues included in General Revenues) may continue to experience challenges in this effort, including in implementing Project FIT. See "RECENT DEVELOPMENTS AND OTHER UNIVERSITY INFORMATION."

Consistent with the regional and national healthcare environment, UW Medicine continues to experience a challenging reimbursement environment with increases in reimbursement at less than inflation levels. In addition, the Pacific Northwest healthcare market is shifting to more consolidations, affiliations and integration as well as new market entrants and the introduction of disruptive technologies. Self-insured employers continue to seek alternative contractual relationships with health systems and payers to improve the health of employees and their family members, increase satisfaction with the care that is provided and reduce overall cost.

Tuition and Student Fee Revenues

Tuition and student fees are the second largest component of General Revenues. See "GENERAL REVENUES—Student Tuition and Fees." Certain significant components of General Revenues, most significantly student tuition, are considered fees subject to Initiative 960, an initiative that requires legislative approval for any fee increase or new fees. See "—State Legislation and Rulemaking, Initiatives and Referenda—Initiative 960." In addition to tuition, the University charges its students a variety of other fees that may be subject to Initiative 960 but that are not included in General Revenues.

A portion of student tuition revenue is used to support student financial aid. In the future, federal, state, institutional and private funders may not appropriate or approve funding for grant, scholarship, loan and other financial aid programs at the same levels and under the same terms as they have in the past, which may affect the amount of financial aid available to students.

Changes in U.S. immigration policies could affect enrollment among international students.

Uncertainties of State Legislation and Initiatives

Every year, the Legislature considers budget decisions and legislation that affect the University. These include appropriations to public higher education institutions and State financial aid programs; appropriations of student Building Fee Revenue or State bonds for the benefit of the University; and legislation regarding public employees, benefits, tuition, academic standards, public procurement and contracting and many other matters. In recent years, the Legislature has faced significant budgetary pressure as a result of court-mandated increases in K-12 education spending (*McCleary v. Washington*), as well as mental health, affordable housing, homelessness, and other issues. While many of those budget pressures remain, the State's obligation to significantly increase funding for K-12 education was largely resolved through a combination of investments in the 2017 and 2018 legislative sessions.

As described under the heading "—State Legislation and Rulemaking, Initiatives and Referenda," State initiative measures have been approved from time to time that have directly affected the University or its revenues, including Initiatives 601 and 960. Various State initiative measures have been and may be filed, and approved, from time to time that have a fiscal impact on the University and/or the State, and if affecting the State, may indirectly impact State spending on higher education, including appropriations to the University.

Certain State-level rulemaking efforts impacting temporary employment and employee overtime exemptions could result in considerable additional personnel costs for the University. Currently, these measures are under consideration by relevant State agencies, and potential future costs to the University are unknown.

Uncertainties of Federal Legislation

Research funding from federal sources continues to be a large part of the University's total research revenues. Medicaid and Medicare payments contribute to patient services revenues. Medicare and Medicaid payments represented approximately 35.1 percent of total net patient services revenues in Fiscal Year 2019 (for UW Medical Center). The University may be adversely impacted by federal legislative and executive or regulatory actions, including cuts to federal spending, changes to financial aid programs, the Tax Cuts and Jobs Act of 2017, and actions affecting international student enrollment. Federal funding, including federal research funding and healthcare reimbursement funding, is subject to federal legislative action, including through the federal budget process and sequestration. Budgetary acts, including the sequestration provisions of the Budget Control Act of 2011 and Statutory Pay-As-You-Go Act of 2010, could continue to affect the availability of federal funds. State and local reductions in funding could also affect University revenues. A shift from federal to non-federal research funding could reduce the relative amount of funding for indirect costs.

The Tax Cuts and Jobs Act of 2017 changes to estate taxes and deductions (including eliminating the 80 percent deductibility of certain athletic tickets and seat licenses) may negatively affect philanthropy and have negatively affected the number of ticket and seat license sales.

Laws and Regulation

The University is subject to federal, State, and local laws and regulations, and grant requirements. Failure by the University to comply with, or violations of, statutory, regulatory or grant requirements could result in the loss of federal or State grant funds and other consequences. These statutory and regulatory requirements are subject to change and could become more stringent and costly for the University.

As further described under the heading "—Patient Services Revenues; Uncertainties of the Healthcare Sector," the healthcare industry is subject to numerous laws and regulations of federal, State, and local governments, including the Affordable Care Act. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, governmental healthcare program participation requirements, reimbursement for patient services, privacy of health records 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, the imposition of significant fines and penalties and significant repayments for patient services previously billed. Recent regulatory, legislative and accounting activity is expected to impact all entities in UW Medicine during Fiscal Year 2020 and beyond.

Accounting Rules

The University is subject to accounting rules and standards promulgated by the GASB. These rules have changed and may continue to change, requiring the University at such time to value and state its accounts differently. For example, the implementation of GASB 68 and GASB 75 has affected the University's general net position (see Table 6 for information regarding the effect of GASB 68 and GASB 75). In June 2017, the GASB issued Statement No. 87, "Leases" ("GASB 87"), which will be effective for the fiscal year ending June 30, 2021. GASB 87 changes the current classification of lease arrangements as either operating or capital leases, and establishes a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. GASB 87 applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees will be required to recognize a lease liability and an intangible right-to-use lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. The University expects implementation of GASB 87 to materially increase the reported amounts for assets and liabilities on the Statements of Net Position. The University is currently evaluating the overall impact of GASB 87 on its financial statements. Other GASB statements are implemented from time to time.

Limitations on Remedies

Any remedies available to the Registered Owners of the Bonds upon the occurrence of a default under the Resolution are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the University fails to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Registered Owners of the Bonds.

In addition to the limitations on remedies contained in the Resolution, the rights and obligations under the Bonds and the Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. The opinions to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of each series of the Bonds, will be subject to limitation by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors. A complete copy of the proposed forms of opinions of Bond Counsel is set forth in APPENDIX C—"FORMS OF BOND COUNSEL OPINIONS."

Under State law, "taxing districts" are authorized to voluntarily file a petition for bankruptcy under the federal bankruptcy code. The State is not authorized to file a petition for bankruptcy. Although the University is a political subdivision in some contexts, it is not considered a taxing district under State property, excise or other tax statutes and does not have taxing power. Accordingly, it is not clear that the University has authority under State law to voluntarily file a petition for bankruptcy. State law does not provide for involuntary bankruptcy petitions against the State or its political subdivisions.

The Board of Regents is authorized under State law to obligate all or a component of the fees and revenues of the University for the payment of bonds, notes or evidences of indebtedness, and the University has pledged General Revenues to the payment of principal of and interest on the Bonds. State law does not provide for an express statutory lien on or security interest in General Revenues or for the perfection of security interests in governmental transfers under the Uniform Commercial Code of the State. No mortgage or deed of trust has been granted to secure the payment of the Bonds.

Under the terms of the Resolution, payments of debt service on Bonds are required to be made only as they become due and the occurrence of a default does not grant a right to accelerate payment of the Bonds. In the event of multiple defaults in payment of principal of or interest on the Bonds, the Bond owners could be required to bring a separate action for each such payment not made. Remedies for defaults are limited to such actions which may be taken at law or in equity.

Seismic and Other Considerations

The University's Seattle, Tacoma and Bothell campuses are located above or near a number of geological faults capable of generating significant earthquakes. The Puget Sound region, including portions of the University campus, is characterized by geotechnical conditions that could result in areas of liquefaction and landslide in an earthquake. In anticipation of such potential disasters, the University designs and constructs its facilities to the seismic codes in effect at the time the projects are designed. Although the University has implemented disaster preparedness plans, there can be no assurance that these or any additional measures will be adequate in the event a natural or other disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Rising sea levels and changing regional rainfall patterns, such as an increase in winter rainstorm frequency or intensity, are potential impacts of climate change for the University. The University can give no assurance regarding the effect of an earthquake, a tsunami from seismic activity in the State or in other areas, a volcanic eruption, mudslide or other natural disaster, climate change, epidemics including without limitation the 2019 Novel Coronavirus ("COVID-19") outbreak, or acts of terrorism, or that the University's self-insurance reserves or proceeds of insurance carried by the University, if any, would be sufficient, if available, to rebuild and reopen University facilities or that University facilities or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major earthquake or other disaster. See "LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION—Risk Management" for a description of the University's insurance, including self-insurance.

The following information supplements the information included in the Preliminary Official Statement, dated February 13, 2020.

On February 29, 2020, Washington's Governor responded to an increase in the number of confirmed COVID-19 cases and the first known deaths in the U.S. by declaring a state of emergency, directing State agencies to use all resources necessary to prepare for and respond to the outbreak. The University is coordinating its response with local public health agencies, as well as the Washington State Department of Health, and is providing public information through uw.edu/coronavirus and direct communications to the University community and stakeholders.

Individuals in Washington State have been diagnosed with and treated for COVID-19, including at University facilities. As testing continues, additional cases are expected to be confirmed locally and nationally. Consistent with State and local health department recommendations regarding social distancing, as of March 9, 2020, classes and finals on all three University campuses will not be held in person for the remainder of winter quarter, which ends March 20, 2020. The University's Advisory Committee on Communicable Diseases is monitoring the outbreak in coordination with State and local health departments, and the University administration will continue to take actions to address the evolving situation.

Continuing Compliance with Tax Covenants; Changes of Law

The University's tax certificate will contain various covenants and agreements on the part of the University that are intended to establish and maintain the tax-exempt status of interest on the 2020A Bonds and 2020C Bonds. A failure by the University to comply with such covenants and agreements, including any remediation obligations, could, directly or indirectly, adversely affect the tax-exempt status of interest on the 2020A Bonds and 2020C Bonds. Any loss of tax exemption could cause all of the interest received by the Owners of the 2020A Bonds and 2020C Bonds to be taxable. All or a portion of interest on the 2020A Bonds and 2020C Bonds also could become subject to federal income tax as a result of changes of law. Current and future legislative proposals, if enacted into law, clarification of the Internal Revenue Code of 1986, as amended (the "Tax Code") or court decisions may cause interest on the 2020A Bonds and 2020C Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

State Legislation and Rulemaking, Initiatives and Referenda

Under the Washington State Constitution, the voters of the State have the ability to initiate legislation and to modify existing laws through the powers of initiative and referendum. An initiative measure is submitted to the voters (if an initiative to the people) or to the Legislature (if an initiative to the Legislature) if certified by the Secretary of State. An initiative or referendum approved by a majority of voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each chamber of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

Initiative 601. Initiative 601, approved by State voters in 1993, limited State expenditures and revenues. Under Initiative 601, the State was generally prohibited from increasing expenditures from the State's general fund and related funds during any fiscal year by more than the fiscal growth factor, which equaled the average growth in State personal income for the prior ten fiscal years. Initiative 601 also limited State revenue increases.

Finally, Initiative 601 provided that no fee could increase in any fiscal year by a percentage greater than the fiscal growth factor without prior legislative approval. The term "fee" was not defined in the initiative, so the University interpreted informal guidance from the State Attorney General's Office to identify specific types of University fees as either covered by or exempt from Initiative 601. Under this guidance, mandatory fees related to the regular State-funded instructional program or other degree-granting education programs were considered subject to Initiative 601. Other University fees were considered proprietary and not subject to the Initiative 601 limitation.

Initiative 960. Initiative 960, approved by State voters in November 2007, amended Initiative 601 to require legislative approval of all fee increases without regard to a fiscal growth factor. Initiative 960 also requires legislative approval of any new fee. Initiative 960 did not amend or define the term "fee" used in Initiative 601. On January 31, 2008, the Office of Financial Management ("OFM") distributed an informal memorandum (the "OFM Memo") to State agencies. Under the reasoning of the OFM Memo (and the University policy interpreting Initiative 601), certain components of General Revenues, most significantly student tuition, are considered fees subject to Initiative 960 and therefore cannot be increased without legislative approval. Fees collected through proprietary transactions are also included in General Revenues, but would not be considered fees subject to Initiative 960 under the reasoning of the OFM Memo.

In the event that Initiative 960 were applied to limit the University's ability to increase fees that contribute to General Revenues, the University would, if necessary, seek to obtain legislative approval for fee increases or would pursue alternative revenue sources, program cuts or reallocations.

Civil Service Legislation and Rulemaking. State-level rulemaking to implement HB 2669 and impacting temporary employment could result in considerable additional personnel costs for the University, depending on the provisions in the final rule. Rules affecting employee overtime exemptions also are expected to result in increased personnel costs. See "LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION—Labor Relations."

Cybersecurity

The University, like many other large public and private entities, relies on a complex technology environment to conduct its operations and support the community it serves. The University has invested in cybersecurity protections in recent years that include efforts of the Office of the Chief Information Security Officer ("CISO") to safeguard personal and institutional data by monitoring, analyzing, and forecasting threats to information assets, advising on risk management and on contracts related to data security, providing in-person and online education, consulting on incident management, and developing and managing University policies related to information security.

UW Medicine's security strategy and information security program are overseen and approved by the UW Medicine Security Program Executive Committee. UW Medicine also has implemented cybersecurity measures including border, data center, and system-level firewalls, intrusion prevention systems, network segmentation throughout the hospital systems, continuous monitoring for and remediation of suspicious network traffic (in partnership with CISO), and threat detection and forensic team to assess threats, vulnerabilities, and risks to UW Medicine assets. UW Medicine also partners with UW Medicine Compliance to develop and deliver education and awareness programs to the UW Medicine workforce.

On December 26, 2018, UW Medicine became aware of a configuration error that made protected internal files available on the internet and visible by an internet search. The files contained information about reporting that UW Medicine is legally required to make. When UW Medicine learned about the exposure of the files to the internet, UW Medicine took steps to remove the information from the site and initiated appropriate measures to remove saved information from any third-party websites. On February 20, 2019, UW Medicine reported the incident as required by law. UW Medicine mailed letters to approximately 974,000 patients notifying them of this exposure.

Notwithstanding the above-described and other cybersecurity measures, another cybersecurity breach could damage University systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. Security breaches could expose the University to litigation and other legal risks, which could cause the University to incur costs related to claims. The University self-insures for cybersecurity claims. See "LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION—Risk Management."

DELAYED DELIVERY OF THE 2020C BONDS

The University expects to enter into a delayed delivery bond purchase agreement for the 2020C Bonds with the Underwriters (the "2020C Purchase Agreement"). Subject to the terms of the 2020C Purchase Agreement, the University expects to issue and deliver the 2020C Bonds on or about February 9, 2021 (the "2020C Date of Delivery").

The obligation of the Underwriters to purchase the 2020C Bonds from the University is subject to the satisfaction of certain conditions, as outlined in the 2020C Purchase Agreement, on the preliminary closing date (on or about March 17, 2020) (the "Closing Date") and on the 2020C Date of Delivery. The conditions to be satisfied on the Closing Date are, in general, comparable to those required in connection with bond closings that use a customary period of up to six weeks between sale dates and settlement dates.

Because of the longer period between the sale and settlement of the 2020C Bonds, there are certain additional termination rights and settlement conditions that are not generally present in bond sales that do not involve a delayed delivery, and those additional rights and conditions are summarized below. All the conditions and termination rights with respect to the sale and settlement of the 2020C Bonds are set forth in the 2020C Purchase Agreement.

The following is a description of certain provisions of the 2020C Purchase Agreement. The following description is not to be considered a full statement of the terms of the 2020C Purchase Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof, a copy of which is available from the University and the Underwriters.

BY PLACING AN ORDER WITH AN UNDERWRITER FOR THE PURCHASE OF THE 2020C BONDS, EACH INVESTOR ACKNOWLEDGES AND AGREES THAT THE 2020C BONDS ARE BEING SOLD ON A "DELAYED DELIVERY" BASIS AND THAT THE INVESTOR IS OBLIGATED TO ACCEPT DELIVERY AND PAY FOR THE 2020C BONDS ON THE 2020C DATE OF DELIVERY SUBJECT ONLY TO THE CONDITIONS IN THE 2020C PURCHASE AGREEMENT.

2020C Date of Delivery

The issuance of the 2020C Bonds and the Underwriters' obligation under the 2020C Purchase Agreement to purchase, accept delivery of and pay for the 2020C Bonds on the 2020C Date of Delivery are conditioned upon the performance by the University of its obligations thereunder, including, without limitation, the delivery of an opinion of Bond Counsel for the 2020C Bonds dated the 2020C Date of Delivery, substantially in the form and to the effect as set forth in the 2020C Bond opinion form included in Appendix C to this Official Statement. The issuance of the 2020C Bonds is further contingent upon the delivery of certain certificates and the satisfaction of other conditions as of the 2020C Date of Delivery. At any time subsequent to the Closing Date and on or prior to the 2020C Date of Delivery, the representative of the Underwriters has the right to terminate their obligations under the 2020C Purchase Agreement, if at any time on or after the Closing Date and on or prior to 2020C Date of Delivery (each a "Delayed Delivery Termination Event"):

(a) a Change of Law (as defined below) shall have occurred;

(b) the House of Representatives or the Senate of the Congress of the United States shall have passed legislation which, if enacted, would have the purpose or effect of causing interest on the 2020C Bonds, or obligations of the general character of the 2020C Bonds, to be includable in gross income for purposes of federal income taxation;

(c) the Official Statement, as of the Closing Date, or the Updated Official Statement, as of its date and as of the 2020C Date of Delivery, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(d) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities Exchange Commission that has the effect of requiring the 2020C Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Resolution under the Trust Indenture Act of 1939, as amended, or an event shall occur that would cause the sale of the 2020C Bonds to be in violation of any provision of the federal or State securities laws;

(e) a general banking moratorium has been declared by federal, New York, or State authorities and is in effect as of the 2020C Date of Delivery;

(f) an event of default, technical or otherwise, has occurred and is continuing on the 2020C Date of Delivery under any University Document (the 2020C Purchase Agreement, the Resolution, the 2020C Bonds, the Continuing Disclosure Certificate in connection with the 2020C Bonds, and the Escrow Deposit Agreement between the University and U.S. Bank National Association, as escrow agent) or under any document authorizing University general revenue bonds; or

(g) the long-term ratings assigned to the 2020C Bonds have been downgraded by Moody's below "Baa3" or by S&P below "BBB-."

"Change of Law" is defined to mean (i) any change in or addition to applicable federal or State law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations, or other pronouncements or interpretations by federal or State agencies, (ii) any legislation enacted by the Congress of the United States (if such enacted legislation has an effective date that is on or before the 2020C Date of Delivery), (iii) any law, rule, or regulation enacted by any governmental body, department, or agency (if such enacted law, rule, or regulation has an effective date that is on or before the 2020C Date of Delivery) or (iv) any judgment, ruling, or order issued by any court or administrative body, which in any case would, (A) as to the Underwriters, prohibit the Underwriters from completing the underwriting of the 2020C Bonds or selling the 2020C Bonds or beneficial ownership interests therein to the public or, (B) as to the University, would make the completion of the issuance, sale, or delivery of the 2020C Bonds illegal.

During the period between the date of this Official Statement and the 2020C Date of Delivery (the "Delayed Delivery Period"), certain information contained in this Official Statement could change in a material respect. Such a change does not give rise to a Delayed Delivery Termination Event unless the change results in the occurrence of one or more of items (a) through (g) above. The University has not undertaken to supplement this Official Statement during this period except to provide the following specific updates:

- Updated Official Statement in connection with the 2020C Date of Delivery. The University has agreed in the 2020C Purchase Agreement to deliver an updated Official Statement not more than 25 days nor less than 10 days prior to the 2020C Date of Delivery (the "Updated Official Statement").

- Annual Financial Information and Event Notices as Required under the Continuing Disclosure Certificate. Between the Closing Date and the 2020C Date of Delivery, the University agrees to provide continuing disclosure consisting of annual financial information and specified event filings as set forth in the Continuing Disclosure Certificate, and to relate such filings to the CUSIP numbers assigned to the 2020C Bonds in advance of the Settlement Date.

- Other Information if Determined or Agreed by the University. In addition, between the Closing Date and the date the University delivers the Updated Official Statement, the University will cooperate with the Underwriters in updating the Official Statement if (i) following the receipt of a request from the representative of the Underwriters to update the Official Statement or such other offering document, the University determines that such updating is required to comply with federal or state securities laws, or (ii) the representative of the Underwriters and the University each determines and agrees that such updating would be desirable in connection with marketing the 2020C Bonds.

On the 2020C Date of Delivery, the University will cause to be paid to the Underwriters underwriting compensation for the 2020C Bonds as described in the 2020C Purchase Agreement; provided, however, that no such payment will be due if the delivery of the 2020C Bonds is not completed because (i) the 2020C Purchase Agreement is terminated by the Underwriters pursuant to items (a) through (g) above or (ii) the Underwriters default in the payment of the purchase price of the 2020C Bonds in accordance with the terms of the 2020C Purchase Agreement.

If, on the 2020C Date of Delivery, the University is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the 2020C Bonds as set forth in the 2020C Purchase Agreement (including the delivery of closing certificates and opinions required under the 2020C Purchase Agreement) or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the 2020C Bonds are terminated for any reason permitted by items (a) through (g) above, the 2020C Purchase Agreement will terminate and neither the Underwriters nor the University will be under any further obligation under the 2020C Purchase Agreement.

If the legislation under item (b) above only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on "state or local bonds," the enactment of the legislation does not constitute a Delayed Delivery Termination Event, and the University may be able to satisfy the requirements for the delivery of the 2020C Bonds. In such event, the Underwriters would be obligated to purchase the 2020C Bonds from the University and the purchasers would be required to accept delivery of the purchased 2020C Bonds from the Underwriters.

The Underwriters may not refuse to purchase the 2020C Bonds from the University except as expressly described above. BY PLACING AN ORDER WITH THE UNDERWRITERS FOR THE PURCHASE OF THE 2020C BONDS, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT THE 2020C BONDS ARE BEING SOLD ON A "DELAYED DELIVERY" BASIS AND THAT THE PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE 2020C BONDS ON THE 2020C DATE OF DELIVERY SUBJECT TO THE CONDITIONS IN THE 2020C PURCHASE AGREEMENT.

THE UNDERWRITERS (AND, IN TURN, THE PURCHASERS OF THE 2020C BONDS FROM THE UNDERWRITERS) MAY NOT REFUSE TO PURCHASE THE 2020C BONDS BY REASON OF GENERAL MARKET OR CREDIT CHANGES INCLUDING, BUT NOT LIMITED TO, CHANGES IN THE RATINGS ANTICIPATED TO BE ASSIGNED TO THE 2020C BONDS (SO LONG AS THE RATINGS MEET THE REQUIRED RATINGS LEVELS IN ITEM (G) ABOVE), CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE UNIVERSITY PRIOR TO THE 2020C DATE OF DELIVERY, CHANGES IN THE GENERAL LEVEL OF INTEREST RATES OR CHANGES IN VALUE OF THE 2020C BONDS FOR ANY REASON OTHER THAN A FULL ELIMINATION OF TAX EXEMPTION OR FOR ANY OTHER REASON OTHER THAN DESCRIBED BY ITEMS (A) THROUGH (G) ABOVE.

Additional Risks Related to the Delayed Delivery Period

During the Delayed Delivery Period, certain information contained in this Official Statement could change in a material respect. Changes in such information will not permit the Underwriters to terminate the 2020C Purchase Agreement unless the change results in an event described above in items (a) through (g) under "2020C Date of Delivery," or to release the purchasers of their obligation to purchase the 2020C Bonds except as expressly described in the 2020C Purchase Agreement. In addition to the risks set forth above, purchasers of the 2020C Bonds are subject to certain additional risks, some of which are described below.

Prospective purchasers should consult their investment advisors before making any decision as to the purchase of the 2020C Bonds. The following discussion, while not setting forth all of the factors that should be considered, contains some of the factors which should be considered, in addition to the other information in this Official Statement, prior to purchasing the 2020C Bonds. This section is not meant to be comprehensive or definitive, and there may be other risk factors which will become material in the future.

Opinion of Bond Counsel. Subject to the additional conditions of settlement described under "2020C Date of Delivery" above, the 2020C Purchase Agreement obligates the University to deliver and the Underwriters to acquire the 2020C Bonds if the University delivers an opinion of Bond Counsel with respect to the 2020C Bonds substantially in the form and to the effect as set forth in the 2020C Bond opinion form in Appendix C. Bond Counsel could be prevented from rendering its opinion on the 2020C Date of Delivery with respect to the 2020C Bonds as a result of (i) changes in federal or State laws, court decisions, regulations, or proposed regulations, or rulings of administrative agencies, or (ii) the failure of the University to provide closing documents, satisfactory to Bond Counsel, of the type customarily required in connection with the issuance of tax-exempt bonds.

Tax Law Risk. Item (b) above provides for a Delayed Delivery Termination Event if the House of Representatives or the Senate of the Congress of the United States shall have passed legislation which, if enacted, would have the purpose or effect of causing interest on the 2020C Bonds, or obligations of the general character of the 2020C Bonds, to be includable in gross income for purposes of federal income taxation. During the Delayed Delivery Period, if such legislation does not cause interest on state or local bonds of the general character of the 2020C Bonds to be taxable, the legislation will not give rise to a Delayed Delivery Termination Event. Accordingly, there could be legislation, court decisions or new regulations or rulings that might diminish the value of, or otherwise affect, the exclusion of interest on the 2020C Bonds for purposes of federal income taxation payable on such state or local bonds and the University might nonetheless be able to satisfy the requirements for the delivery of the 2020C Bonds. In such event, the purchasers would be required to accept delivery of the 2020C Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers.

Ratings Risk. Ratings have been assigned to the 2020C Bonds as described under "RATINGS." No assurances can be given that the ratings assigned to the 2020C Bonds on the 2020C Date of Delivery will not be different from those currently assigned to the 2020C Bonds. So long as the ratings on the 2020C Bonds have not been downgraded by Moody's below "Baa3" or by S&P below "BBB-," the Underwriters may not terminate the 2020C Purchase Agreement because of the ratings then assigned to the 2020C Bonds.

Market Value Risk. The market value of the 2020C Bonds as of the 2020C Date of Delivery may be affected by a variety of factors including, without limitation, general market conditions, any ratings then assigned to the 2020C Bonds (at or above "Baa3" by Moody's or "BBB-" by S&P), the financial condition and operations of the University, and federal income tax and other laws. The market value of the 2020C Bonds as of the 2020C Date of Delivery could therefore be higher or lower than the price to be paid by the initial purchasers of the 2020C Bonds and that difference could be substantial. NEITHER THE UNIVERSITY NOR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE EXPECTED MARKET PRICE OF THE BONDS AS OF THE 2020C DATE OF DELIVERY. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the 2020C Bonds as of the 2020C Date of Delivery or thereafter or not have a materially adverse impact on any secondary market for the 2020C Bonds.

Termination of 2020C Purchase Agreement. The Underwriters may terminate the 2020C Purchase Agreement by notification to the University on or prior to the 2020C Date of Delivery if any of the events described above in items (a) through (g) under "2020C Date of Delivery" occurs. Although the University is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the 2020C Purchase Agreement on the 2020C Date of Delivery, no assurances can be made that, as of the 2020C Date of Delivery: (i) there will have been no change of law; (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of Closing Date, or (iii) all necessary certifications and representations can or will be delivered and made in connection with the proposed execution and delivery of the 2020C Bonds. As a consequence of any of the foregoing, one or more of the legal opinions may not be rendered or one or more of the 2020C Date of Delivery conditions in the 2020C Purchase Agreement may not be met, with the possible result that the delivery of the 2020C Bonds will not occur.

Secondary Market Risk. The Underwriters are not obligated to make a secondary market in the 2020C Bonds, and no assurances can be given that a secondary market will exist for the 2020C Bonds during the Delayed Delivery Period. Purchasers of the 2020C Bonds should assume that the 2020C Bonds will be illiquid throughout the Delayed Delivery Period.

LEGAL INFORMATION

No Litigation Concerning the Bonds

There is no litigation pending or, to the actual knowledge of the University, threatened questioning the validity of the Bonds or the power and authority of the University to issue the Bonds or seeking to enjoin the issuance of the Bonds.

Other Litigation

The University is a party to lawsuits arising out of its normal course of business, but the University does not believe any of such litigation will have a material adverse impact upon the financial position of the University. Some of these claims are covered by insurance.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of each series of Bonds by the University are subject to the applicable approving legal opinion of Pacifica Law Group LLP, Seattle, Washington ("Bond Counsel"). The forms of opinions of Bond Counsel are attached hereto as Appendix C. Pacifica Law Group LLP is also serving as Disclosure Counsel to the University in connection with the issuance of the Bonds.

For a discussion of the delayed delivery of the 2020C Bonds, as it pertains to the approving legal opinion to be delivered by Bond Counsel, see "DELAYED DELIVERY OF THE 2020C BONDS." There can be no assurance that the facts and circumstances on the 2020C Date of Delivery will not differ from those currently expected, or that the provisions of federal income tax law and applicable regulations, State law and other relevant law will not change prior to the 2020C Date of Delivery and as a consequence, such opinion may not be rendered, preventing the issuance and delivery of the 2020C Bonds.

Certain legal matters will be passed on for the Underwriters by Foster Garvey, P.C., Counsel to the Underwriters. Any opinion of such firm will be addressed solely to the Underwriters, will be limited in scope, and cannot be relied upon by investors.

TAX MATTERS

General

In the opinion of Bond Counsel, under existing law and subject to certain qualifications described below, interest on the 2020A Bonds and 2020C Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The proposed forms of opinions of Bond Counsel with respect to the 2020A Bonds and 2020C Bonds to be delivered on the date of issuance of the 2020A Bonds and the 2020C Date of Delivery of the 2020C Bonds, as applicable, are set forth in Appendix C.

The Tax Code contains a number of requirements that apply to the 2020A Bonds and 2020C Bonds, and the University has made certain representations and has covenanted to comply with each such requirement. Bond Counsel's opinions assume the accuracy of the representations made by the University and are subject to the condition that the University comply with the above-referenced covenants. If the University fails to comply with such covenants or if the University's representations are inaccurate or incomplete, interest on the 2020A Bonds or 2020C Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2020A Bonds or 2020C Bonds.

Except as expressly stated herein, Bond Counsel expresses no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2020A Bonds and 2020C Bonds, or the amount, accrual or receipt of interest on, the 2020A Bonds and 2020C Bonds. Owners of the 2020A Bonds and 2020C Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2020A Bonds or 2020C Bonds.

Original Issue Premium and Discount

If the initial offering price to the public at which a 2020A Bond or 2020C Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes. If the initial offering price to the public at which a 2020A Bond or 2020C Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2020A Bonds or 2020C Bonds on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2020A Bonds or 2020C Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2020A Bonds or 2020C Bonds. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2020A Bonds and 2020C Bonds who purchase the 2020A Bonds or 2020C Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2020A Bonds or 2020C Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2020A Bonds or 2020C Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2020A Bonds or 2020C Bonds under federal individual alternative minimum tax.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2020A Bonds or 2020C Bonds (said term being the shorter of the 2020A Bonds or 2020C Bonds' maturity date or their call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2020A Bonds or 2020C Bonds for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2020A Bond or 2020C Bond is amortized each year over the term to maturity of the 2020A Bond or 2020C Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2020A Bonds or 2020C Bonds premium is not deductible for federal income tax purposes. Owners of premium 2020A Bonds or 2020C Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax consequences of owning such 2020A Bonds or 2020C Bonds.

Post Issuance Matters

The opinions of Bond Counsel are based on current legal authority, cover certain matters not directly addressed by such authorities, and represent Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. They are not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Tax Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

Bond Counsel's engagement with respect to the 2020A Bonds and 2020C Bonds ends with the issuance of the 2020A Bonds and 2020C Bonds, as applicable, and, unless separately engaged, Bond Counsel is not obligated to defend the University or the Owners regarding the tax-exempt status of the 2020A Bonds or 2020C Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the University and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the University legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2020A Bonds or 2020C Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2020A Bonds or 2020C Bonds, and may cause the University or the Owners to incur significant expense.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2020A Bonds or 2020C Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2020A Bonds or 2020C Bonds. Prospective purchasers of the 2020A Bonds and 2020C Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

CERTAIN INCOME TAX CONSEQUENCES RELATING TO THE 2020B BONDS

The interest on the 2020B Bonds is not intended by the University to be excluded from gross income for federal income tax purposes. Owners of the 2020B Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020B Bonds may have federal income tax consequences not described herein and should consult their own tax advisors with respect to federal income tax consequences of owning such 2020B Bonds. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2020B Bonds other than as expressly described above.

The proposed form of opinion of Bond Counsel with respect to the 2020B Bonds to be delivered on the date of issuance of the 2020B Bonds is set forth as the form of 2020B Bond opinion in Appendix C.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Tax Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Tax Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Tax Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Tax Code on an investment in any Bond. In all events investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Bonds.

CONTINUING DISCLOSURE UNDERTAKING

Undertaking. The University is covenanting for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data (the "Annual Disclosure Report") by not later than seven months following the end of the University's Fiscal Year (which currently would be January 31, 2021, for the report for Fiscal Year 2020), and to provide notices of the occurrence of certain enumerated events. The Annual Disclosure Report and notices of events are to be filed with the Municipal Securities Rulemaking Board. The nature of the information to be contained in the Annual Disclosure Report and in notices of events is set forth in "APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants are made by the University to assist the Underwriters of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Prior Compliance with Continuing Disclosure Undertakings. On October 12, 2016, the University filed a supplement updating and correcting figures included in the 2015 Bondholders Report.

OTHER BOND INFORMATION

Ratings

Ratings of "Aaa" and "AA+" have been assigned to the Bonds by Moody's Investors Service and S&P Global Ratings, respectively. Such ratings reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from the rating agencies. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the agencies, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings could have an adverse effect on the market price and marketability of the Bonds.

No assurance can be given that the ratings for the 2020C Bonds on the 2020C Date of Delivery will not be different than such ratings. So long as the ratings on the 2020C Bonds have not been downgraded by Moody's below "Baa3" or by S&P below "BBB-" a rating downgrade does not terminate the 2020C Purchase Agreement or release the Underwriters from their obligation to purchase the 2020C Bonds. See "DELAYED DELIVERY OF THE 2020C BONDS" for a discussion regarding the termination of the 2020C Purchase Agreement and ratings risk resulting from the delayed delivery thereof.

Financial Advisor

The University has retained Piper Sandler Companies, as financial advisor (the "Financial Advisor") in connection with the preparation of the University's plan of financing and with respect to the authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make any independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. While under contract to the University, the Financial Advisor may not participate in the underwriting of any University debt.

Potential Conflicts

Some or all of the fees of the Financial Advisor, Bond Counsel, Disclosure Counsel and Underwriters' Counsel are contingent upon the sale of the Bonds. Pacifica Law Group LLP is serving as Bond Counsel and Disclosure Counsel to the University with respect to the Bonds. From time to time, Bond Counsel and Disclosure Counsel and Underwriters' Counsel serve as counsel to other parties involved with the Bonds with respect to transactions other than the issuance of the Bonds.

Underwriting

The 2020A Bonds are to be purchased from the University at an aggregate purchase price of $63,672,558.90 (the principal amount of the 2020A Bonds, plus original issue premium of $12,785,714.25, less Underwriters' discount of $113,155.35), and the 2020B Bonds are to be purchased from the University at an aggregate purchase price of $50,889,229.65 (the principal amount of the 2020B Bonds, less Underwriters' discount of $110,770.35), subject to the terms of a bond purchase contract (the "2020A and 2020B Purchase Contract") between the University and BofA Securities, Inc., acting on behalf of itself and as representative of Goldman Sachs & Co. LLC, Academy Securities, Inc. and Citigroup Global Markets Inc. (the "Underwriters"). The 2020A and 2020B Purchase Contract provides that the Underwriters will purchase all of the 2020A Bonds and 2020B Bonds if any are purchased and that the obligation of the Underwriters to accept and pay for the 2020A Bonds and 2020B Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters.

The 2020C Bonds are to be purchased from the University at an aggregate purchase price of $143,892,473.35 (the principal amount of the 2020C Bonds, plus original issue premium of $26,361,952.95, less Underwriters' discount of $284,479.60), subject to the terms of the 2020C Purchase Agreement. The 2020C Purchase Agreement provides that the Underwriters will purchase all of the 2020C Bonds if any are purchased and that the obligation of the Underwriters to accept and pay for the 2020C Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters. See "DELAYED DELIVERY OF THE 2020C BONDS."

The initial public offering prices or yields set forth on the inside cover page and pages ii and iii may be changed from time to time by the Underwriters without prior notice. The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover page and pages ii and iii.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the University.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Independent Auditor

The selected financial statements of the University for the Fiscal Year ended June 30, 2019 and included as Appendix B to this Official Statement have been audited by KPMG LLP ("KPMG"), the University's independent auditor. KPMG has not been engaged to perform and has not performed, since the date of its report included therein, any procedures on the financial statements addressed in that report. KPMG also has not performed any procedures relating to this Official Statement.

Official Statement

All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the University and the purchasers or holders of any of the Bonds.

At the time of the delivery of each series of the Bonds, one or more officials of the University will furnish a certificate stating that, to the best of his or her knowledge and belief at the time of the sale or delivery of such series of the Bonds, this Official Statement and information furnished by the University supplemental thereto did not and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

The University has authorized the execution and delivery of this Official Statement.

UNIVERSITY OF WASHINGTON

By: /s/ Brian McCartan
Vice President for Finance

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APPENDIX A

COPY OF THE RESOLUTION, AS AMENDED

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BOARD OF REGENTS

UNIVERSITY OF WASHINGTON

RESOLUTION

A RESOLUTION of the Board of Regents of the University of Washington amending its resolution adopted July 11, 2019 providing for the authorization, sale, issuance and delivery of University of Washington General Revenue obligations; and delegating authority to an authorized representative of the University to make certain determinations.

WHEREAS, on July 11, 2019, the Board of Regents adopted a resolution (the "Bond Resolution") authorizing one or more series of general revenue obligations in the aggregate principal amount not to exceed $102,000,000 and authorizing the refunding of Refunding Candidates identified therein; and

WHEREAS, the University has been advised that debt service savings may be obtained by refunding some or all of the Refunding Candidates with a delayed delivery closing; and

WHEREAS, the Board of Regents now desires to amend the Bond Resolution as provided herein;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF WASHINGTON, as follows:

Section 1. Amendments to Bond Resolution. Section 23 of the Bond Resolution is hereby amended as follows (deletions ~~struck~~ and additions shown in underlined text).

Section 23. Determination of Certain Matters Affecting 2019/2020 Bonds.

The Authorized Representative of the University is hereby authorized and directed to make the following determinations and/or take the following actions, subject to the limitations described below:

(a) determine whether the 2019/2020 Bonds shall be issued and sold in one or more series or subseries;

(b) determine the Mode in which 2019/2020 Bonds of a series or subseries shall be issued initially;

(c) determine the times and manner of conversion, if any, between and within Modes, and negotiate and execute documents to effect the conversion, including without limitation any Bond Terms Agreement, or amendments thereto;

(d) negotiate and execute at his or her discretion, one or more Escrow Agreements, Bond Terms Agreements, amendments to leases with respect to Refunding Candidates, options to extend such leases, and other documents in connection with the refunding of a Refunding Candidate, and amendments thereto from time to time;

(e) negotiate and execute a Payment Agreement, if any, in connection with the issuance of any series or subseries of 2019/2020 Bonds;

(f) select one or more Escrow Agents, underwriters, Direct Purchasers and/or Remarketing Agents;

(g) select some or all of the Refunding Candidates and designate those Refunding Candidates as the "Refunded Bonds" in the applicable Bond Purchase Contract or closing certificate;

(h) determine if it is in the best interest of the University for any or all of the 2019/2020 Bonds to be secured by a Liquidity Facility or Credit Facility and, if so, select the Liquidity Facility Issuer or Credit Facility Issuer, as applicable, pay the premium or fees therefor, issue one or more reimbursement or bank bonds, and enter into Reimbursement Agreements, each as applicable;

(i) subject to the limitations set forth herein, approve the Interest Rates if the 2019/2020 Bonds bear interest in Fixed Mode or Term Mode, Maturity Dates, aggregate principal amounts, principal amounts of each maturity, delayed remarketing terms, redemption rights, tender or put option rights, and other terms and conditions of the 2019/2020 Bonds;

(j) select a Trustee for the owners of any or all of the 2019/2020 Bonds and fix its or their rights, duties, powers, and obligations under the applicable Trust Agreement;

(k) determine whether any or all of the 2019/2020 Bonds shall be issued as 2019/2020 Tax-Exempt Bonds or as 2019/2020 Taxable Bonds and determine whether any or all of the 2019/2020 Tax-Exempt Bonds are to be designated as qualified 501(c)(3) obligations;

(l) determine whether any or all of the 2019/2020 Bonds shall be issued and sold as Direct Purchase 2019/2020 Bonds or as Underwritten 2019/2020 Bonds; and

(m) allocate 2019/2020 Bond proceeds to Projects and determine whether all or a portion of the Projects shall be financed with other sources, including the CAP.

The Authorized Representative of the University is hereby authorized to approve the foregoing subject to following conditions:

(a) the aggregate principal amount of the 2019/2020 New Money Bonds shall not exceed $102,000,000;

(b) the aggregate debt service to be paid on any 2019/2020 Refunding Bonds shall be less than the aggregate debt service (or aggregate rent reflecting debt service in the case of a lease with respect to a Refunding Candidate) on the Refunding Candidate to be refunded;

(c) the final maturity date of any 2019/2020 Refunding Bonds shall not be later than the end of the fiscal year that includes the final maturity date of the Refunding Candidate to be refunded with the proceeds of such bonds, and the term of any 2019/2020 New Money Bond shall not be longer than 31 years;

(d) the true interest cost to the University, taking into account any interest subsidy, for the 2019/2020 Bonds issued initially in the Fixed Mode does not exceed 6.0%;

(e) the aggregate principal amount of 2019/2020 Bonds issued in the Daily Mode, Weekly Mode, Index Floating Mode and Commercial Paper Mode does not exceed 20% of the aggregate principal amount of all then Outstanding Bonds (determined on the initial date of issuance of such 2019/2020 Bonds in the Daily Mode, Weekly Mode, Index Floating Mode or Commercial Paper Mode); and

(f) ~~the date of any Closing Date~~ the applicable Bond Terms Agreement is executed no~~t~~ later than July 31, 2020.

In determining the items described in this section, the Authorized Representative of the University may take into account those factors that, in the Authorized Representative of the University's judgment, will result in the lowest true interest cost on the 2019/2020 Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the 2019/2020 Bonds.

Upon determination by the Authorized Representative of the University that all conditions to Closing set forth in the applicable Bond Terms Agreement have been satisfied, or upon waiver of such conditions by the appropriate parties, the Authorized Representative of the University is hereby authorized and directed (a) to cause such 2019/2020 Bonds, executed as provided in this resolution, to be authenticated and delivered to the underwriters or Direct Purchaser(s); and (b) to execute, for and on behalf of the University, and to deliver to the persons entitled to executed copies of the same, the Official Statement or other offering document and all other documents required to be delivered, at or before the Closing Date pursuant to the applicable Bond Terms Agreement. The proper University officials are hereby authorized and directed to do everything necessary and proper for the prompt printing, execution, authentication, issuance and delivery of the 2019/2020 Bonds in exchange for the purchase price thereof.

This authorization is in addition to any previously delegated authority, including under the Debt Policy.

Section 2. Severability. If any one or more of the provisions of this resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this resolution or of the Bond Resolution.

Section 3. Ratification of Prior Acts. Any action taken by or on behalf of the University and consistent with the intent of this resolution but prior to the effective date of this resolution is hereby ratified, approved, and confirmed.

Section 4. Immediate Effect. This resolution shall take effect immediately upon its adoption.

BOARD OF REGENTS

UNIVERSITY OF WASHINGTON

RESOLUTION

DATED JULY 11, 2019

Authorizing the issuance and sale of

UNIVERSITY OF WASHINGTON
GENERAL REVENUE OBLIGATIONS, 2019/2020

UNIVERSITY OF WASHINGTON

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Page

* This Table of Contents and the cover page are not a part of this resolution; they are included for convenience of the reader only.

BOARD OF REGENTS

UNIVERSITY OF WASHINGTON

RESOLUTION

A RESOLUTION of the Board of Regents of the University of Washington providing for the authorization, sale, issuance and delivery of University of Washington General Revenue obligations in the aggregate principal amount not to exceed $102,000,000 for University purposes including financing or refinancing the acquisition of and improvements to capital facilities serving the University; providing in addition for the authorization, sale, issuance and delivery of University of Washington General Revenue refunding obligations for the purpose of refunding certain outstanding obligations; providing for the date, form, terms, maturities and redemption of the obligations; providing for the payment of and establishing the security for such obligations; providing for the redemption of the outstanding obligations to be refunded; delegating authority to an authorized representative of the University to make certain determinations and appointments with respect to the obligations of this issue from time to time; and authorizing the execution of documents in connection with the issuance and sale of such obligations and application of the proceeds thereof.

WHEREAS, the Legislature, pursuant to the Bond Act (as hereinafter defined) has authorized the Board of Regents to sell and issue revenue bonds for any University purpose; and

WHEREAS, the University has determined to issue one or more series of general revenue obligations in the aggregate principal amount not to exceed $102,000,000 (the "2019/2020 New Money Bonds") for the purpose of financing or refinancing certain facilities serving the University as described herein; and

WHEREAS, it is in the University's best interests to proceed with the financing or refinancing of facilities serving the University, including the Kincaid Hall, Northwest Hospital Childbirth Center, and Destination One (aka Clinical Transformation) projects, and other University projects; and

WHEREAS, obligations described on Exhibit A attached hereto have previously been issued by or on behalf of the University for University purposes, and also are subject to optional redemption prior to their respective maturities (the "Refunding Candidates"); and

WHEREAS, the University has been advised that debt service savings may be obtained by refunding some or all of the Refunding Candidates through the issuance of one or more series of general revenue refunding obligations (the "2019/2020 Refunding Bonds"), and through the issuance of commercial paper notes to provide interim financing; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF WASHINGTON, as follows:

Section 1. Definitions.

The terms defined in this Section 1 shall, for all purposes of this resolution (including the recitals) and of any resolution supplemental hereto, have the following meanings:

Acquired Obligations means the Government Obligations acquired by the University under the terms of this resolution and an Escrow Agreement to effect the defeasance and refunding of one or more of the Refunding Candidates.

Additional Bonds means one or more series or subseries of additional obligations of the University payable from General Revenues.

Authorized Denominations means:

(a) with respect to 2019/2020 Bonds in the Fixed Mode or Term Mode, $5,000 and any integral multiple thereof within a series or subseries and maturity, and

(b) with respect to 2019/2020 Bonds in the Daily Mode, the Weekly Mode, the Index Floating Mode, or the Commercial Paper Mode, $100,000 and any integral multiple of $5,000 in excess thereof within a series or subseries and maturity or as otherwise set forth in the applicable Bond Terms Agreement.

Authorized Representative of the University means the President of the University or the designee(s) of the President or his or her designee for the purposes of one or more duties of the Authorized Representative under this resolution.

Bank Bonds has the meaning set forth in the applicable Reimbursement Agreement or Loan Agreement.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2019/2020 Bonds (including persons holding 2019/2020 Bonds through nominees, depositories or other intermediary).

Board means the Board of Regents of the University, which exists and functions pursuant to chapter 28B.20 RCW, as amended from time to time.

Bond Act means, together, chapter 28B.140 RCW and chapter 28B.142 RCW, in each case as amended from time to time.

Bond Counsel means an attorney or firm of attorneys whose opinion is accepted in the national tax-exempt capital markets as to the issuance and validity of municipal securities and as to the interest paid thereon being exempt from federal income taxation, which attorney or firm of attorneys has been approved by, selected by or retained by the University from time to time.

Bond Fund means the special fund designated as the General Revenue Bond Redemption Fund, 2019/2020.

Bond Purchase Contract means the Bond Purchase Contract(s) between the University and the underwriter(s) for Underwritten 2019/2020 Bonds or a certificate of award executed by the University pertaining to the initial sale and purchase of Underwritten 2019/2020 Bonds.

Bond Register means the registration books maintained by the Registrar containing the names and addresses of the Registered Owners of the Bonds.

Bonds mean the University of Washington General Revenue Bonds, 2009 Taxable (Build America Bonds – Direct Payment), General Revenue Bonds, 2009B Taxable (Build America Bonds – Direct Payment), General Revenue and Refunding Bonds, 2010A, General Revenue Bonds, 2010B Taxable (Build America Bonds – Direct Payment), General Revenue and Refunding Bonds, 2011A, General Revenue and Refunding Bonds, 2012A, General Revenue and Refunding Bonds, 2012B (Taxable), General Revenue Bonds, 2012C, the General Revenue Bonds, 2013, the General Revenue and Refunding Bonds, 2015A (Taxable), General Revenue Refunding Bonds, 2015B, General Revenue and Refunding Bonds, 2015C, General Revenue and Refunding Bonds, 2015D (Taxable), General Revenue and Refunding Bonds, 2016A, General Revenue Refunding Bonds, 2016B (Taxable), General Revenue Bonds, 2018, General Revenue Bonds, 2019A, the 2019/2020 Bonds, and any Additional Bonds.

Bond Terms Agreement means a Bond Purchase Contract, Remarketing Agreement, Loan Agreement, Paying Agent Agreement and/or Trust Agreement, as applicable, for one or more series of 2019/2020 Bonds.

Building Fee Revenue Bond Act means RCW 28B.20.700.740, as amended by Chapter 499 Wash. Laws 2009, and as further amended from time to time.

Building Fees means building fees defined in RCW 28B.15.025, as amended from time to time, and imposed for the purposes set forth in RCW 28B.15.210, as amended from time to time.

Business Day means a day (a) on which banks in Seattle, Washington or New York, New York, the Securities Depository, the Credit Facility Issuer, the Liquidity Facility, or the Remarketing Agent are not authorized to remain open or required to remain closed and (b) on which the New York Stock Exchange is not closed.

Call Date means the date(s) on which the Refunding Candidates may be called for redemption under the terms of the proceedings pursuant to which they were issued.

CAP means the Capital Assets Pool (CAP) as defined in the Debt Policy**.**

Closing Date means each date on which a series of 2019/2020 Bonds are issued and delivered in return for payment of the full purchase price therefor.

Code means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2019/2020 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the 2019/2020 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Commercial Paper Mode means the Mode during which the 2019/2020 Bonds bear interest at a Commercial Paper Rate or Rates.

Commercial Paper Rate means the interest rate (per annum) on any 2019/2020 Bond in the Commercial Paper Mode determined pursuant to the applicable Bond Terms Agreement for such 2019/2020 Bonds.

Commission means the Securities and Exchange Commission.

Continuing Disclosure Certificate means the certificate of the University, if required under the Rule, undertaking to provide ongoing disclosure to assist the underwriter(s) for 2019/2020 Bonds in complying with the Rule.

Credit Facility means a policy of municipal bond insurance, a letter of credit, line of credit, guarantee or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or provide funds for the payment of financial obligations, if any, of the University with respect to any 2019/2020 Bonds, including but not limited to payment of the scheduled principal of and interest on 2019/2020 Bonds. There may be more than one Credit Facility for a series or subseries of 2019/2020 Bonds.

Credit Facility Issuer means the issuer of any Credit Facility.

Current Mode means, with respect to any series or subseries of the 2019/2020 Bonds, the Mode then in effect.

Daily Mode means the Mode during which a series or subseries of the 2019/2020 Bonds bear interest at the Daily Rate.

Daily Rate means the per annum interest rate for a series or subseries of the 2019/2020 Bonds in the Daily Mode determined pursuant to the Bond Terms Agreement for such 2019/2020 Bonds.

Debt Policy means the University of Washington Debt Management Policy Statement of Objectives and Policies, approved by the Board.

Derivative Payment Date means any date specified in a Payment Agreement on which a University Payment is due and payable under the Payment Agreement.

Direct Purchaser means any bank or other financial institution selected to purchase (or to accept delivery of) one or more Direct Purchase 2019/2020 Bonds, including to evidence the University's obligations under a Loan Agreement, pursuant to Section 23 of this Resolution.

Direct Purchase 2019/2020 Bonds means any 2019/2020 Bonds or 2019/2020 Bond sold to a Direct Purchaser pursuant to Section 23 of this Resolution.

DTC means The Depository Trust Company, New York, New York as depository for the 2019/2020 Bonds, or any successor or substitute depository for the 2019/2020 Bonds.

Escrow Agent means any escrow agent selected by the Authorized Representative of the University in accordance with this resolution.

Escrow Agreement means one or more Escrow Deposit Agreements to be dated as of the applicable Closing Date.

Fair Market Value means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm's-length transaction, except for specified investments as described in Treasury Regulation §1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

Federal Tax Certificate means certificate of that name executed by the Authorized Representative of the University at the time of issuance and delivery of 2019/2020 Tax-Exempt Bonds.

Fiscal Agent means, for Underwritten 2019/2020 Bonds, the fiscal agent of the State of Washington and, for Direct Purchase 2019/2020 Bonds, the fiscal agent of the State of Washington or the Authorized Representative of the University, as set forth in the Bond Terms Agreement.

Fiscal Year means the University's duly adopted fiscal year, currently ending June 30.

Fitch means Fitch Ratings, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Authorized Representative of the University.

Fixed Mode means the Mode in which a series or subseries of the 2019/2020 Bonds bear interest at a Fixed Rate or Fixed Rates.

Fixed Rate means a per annum interest rate or rates borne by a series or subseries of the 2019/2020 Bonds to the maturity thereof or other date determined pursuant to Section 23 and the Bond Terms Agreement for such 2019/2020 Bonds.

General Revenues means all non-appropriated income, revenues, and receipts of the University if and to the extent such funds are not restricted in their use by law, regulation, or contract. For example, the following items are restricted and, therefore, excluded:

(a) Appropriations to the University by the State from the State's General Fund;

(b) Each fund the purpose of which has been restricted in writing by the terms of the gift or grant under which such fund has been donated, or by the donor thereof;

(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 Metro Tract Revenue.

Unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, also would be includable and available to pay obligations secured by General Revenues. Upon the removal of any income, revenues, or receipts from General Revenues pursuant to Section 15(d), this definition of General Revenues shall be deemed to be amended accordingly without further action by the University.

Government Obligations means government obligations as are authorized to be used for refunding purposes by chapter 39.53 RCW, as amended or restated from time to time; or as otherwise set forth in the Bond Terms Agreement, as applicable.

Index Floating Mode means the Mode during which a series or subseries of the 2019/2020 Bonds bear interest at the Index Floating Rate.

Index Floating Rate means the index-based floating rate for a series or subseries of the 2019/2020 Bonds in the Index Floating Mode determined pursuant to the Bond Terms Agreement for such 2019/2020 Bonds.

Interest Payment Date means the dates selected by the Authorized Representative of the University and set forth in the Bond Terms Agreement, as applicable.

Interest Rate means a Fixed Rate, Daily Rate, Weekly Rate, Commercial Paper Rate, Index Floating Rate or Term Rate, as the context requires.

Irrevocable Deposit means the irrevocable deposit of money or Government Obligations in order to provide for the payment of all or a portion of the principal of, premium, if any, and interest on any 2019/2020 Bonds in accordance with, and meeting all the requirements of, Section 21.

Issuance Costs means, without intending thereby to limit or restrict any proper definition of such costs under any applicable laws and GAAP, the following:

(a) costs reasonably incurred incident to preparing, offering, selling, issuing and delivering the 2019/2020 Bonds, including, without limitation, the fees and expenses of Bond Counsel, special counsel (if any) and financial advisor to the University, bond printing, CUSIP bureau fees, rating agency fees, underwriter or Direct Purchaser fees or discount, escrow agent fees and recording and filing fees;

(b) the fees and expenses payable to the Registrar incident to the Registrar's acceptance of its duties under this resolution; and

(c) fees or premiums due to any Credit Facility Issuer.

Legislature means the Legislature of the State.

Letter of Representations means the blanket issuer letter of representation, signed by the Authorized Representative of the University and accepted by DTC pertaining to the payment of Bonds and the "book-entry" system for evidencing the beneficial ownership of Bonds.

Liquidity Facility means a line of credit, standby purchase agreement or other financial instrument or any combination of the foregoing, if any, which obligates a third party to make payment or to provide funds for the payment of the Purchase Price of 2019/2020 Bonds (or portion thereof). There may be more than one Liquidity Facility for a series or subseries of 2019/2020 Bonds, and the University may provide self-liquidity for a series or subseries of 2019/2020 Bonds, all as set forth in the applicable Bond Terms Agreement.

Liquidity Facility Issuer means the issuer of any Liquidity Facility.

Loan Agreement means one or more loan or purchase agreements, if any, between the University and a Direct Purchaser under which the Direct Purchaser will make a loan to the University evidenced by a Direct Purchase 2019/2020 Bond, or under which the Direct Purchaser will purchase the Direct Purchase 2019/2020 Bond.

Maturity Date means the maturity date or dates for Bonds set forth in the Bond Terms Agreement, as applicable.

Maximum Rate means the maximum rate for 2019/2020 Bonds set forth in the applicable Bond Terms Agreement.

Mode means the Daily Mode, Weekly Mode, Commercial Paper Mode, Index Floating Mode, Term Mode, or the Fixed Mode, as the context may require.

Metro Tract means the "University tract" as defined in RCW 28B.20.381 to include the tract of land in the city of Seattle, consisting of approximately ten acres, originally known as the "old university grounds," as amended to the date of this resolution, and more recently referred to as the "metropolitan tract," together with all buildings, improvements, facilities, and appurtenances thereon.

Metro Tract Revenue means all revenues of the University derived from operating, managing, and leasing the Metro Tract.

Moody's means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term Moody's shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) selected by the Authorized Representative of the University.

MSRB means the Municipal Securities Rulemaking Board or any successor to its functions. Until otherwise designated by the MSRB or the Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org.

Net Revenue means, with respect to any item or auxiliary revenues proposed to be added to General Revenues, revenues of such item or auxiliary less operating expenses. If the item or auxiliary revenues have previously been pledged to pay debt service on outstanding obligations of the University, the terms revenues and operating expenses shall be determined in accordance with the resolution(s) authorizing the outstanding indebtedness.

Notice Parties means, with respect to each series of the 2019/2020 Bonds, the University, the University's financial advisor, the Registrar, any Remarketing Agent, and any Liquidity Facility Issuer or Credit Facility Issuer, and with respect to each series of the Direct Purchase 2019/2020 Bonds, the Direct Purchaser.

Opinion of Bond Counsel means an opinion in writing of Bond Counsel.

Outstanding means, as of any particular time, all Bonds issued theretofore except:

(a) Bonds theretofore canceled by the Registrar after purchase by the University;

(b) Bonds for which an Irrevocable Deposit has been made, but only to the extent that the principal of and interest on such Bonds are payable from such Irrevocable Deposit; provided, that the Bonds to be paid or redeemed with such Irrevocable Deposit shall be deemed to be Outstanding for the purpose of transfers and exchanges or replacement of mutilated, lost, stolen or destroyed Bonds under the proceedings authorizing their issuance;

(c) temporary, mutilated, lost, stolen or destroyed Bonds for which new Bonds have been issued pursuant to the resolution authorizing their issuance; and

(d) Bonds exchanged for new Bonds pursuant to the resolution authorizing their issuance.

Notwithstanding the foregoing, 2019/2020 Bonds that are Bank Bonds shall remain Outstanding until the applicable Credit Facility Issuer or Liquidity Facility Issuer or Direct Purchaser is paid all amounts due on such 2019/2020 Bonds.

Participant means (a) any person for which, from time to time, DTC effects book-entry transfers and pledges of securities pursuant to the book-entry system or (b) any securities broker or dealer, bank, trust company or other person that clears through or maintains a custodial relationship with a person referred to in (a).

Payment Agreement means a written contract or agreement between or on behalf of the University and a Reciprocal Payor, which provides that the University's obligations thereunder will be conditioned on the absence of: (a) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, and (b) a default thereunder with respect to the financial status of the Reciprocal Payor; and

(a) under which the University is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the University Payments in exchange for the Reciprocal Payor's obligation to pay or to cause to be paid to the University, on the same scheduled and specified Derivative Payment Dates, the Reciprocal Payments; *i.e.*, the contract must provide for net payments;

(b) for which the University's obligations to make all or any portion of University Payments are payable from General Revenues;

(c) under which Reciprocal Payments are to be made directly into the Bond Fund;

(d) for which the University Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Payment Agreement; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Payment Agreement.

Paying Agent Agreement means a Paying Agent Agreement entered into between the University and the Registrar with respect to 2019/2020 Bonds, setting forth certain terms of such 2019/2020 Bonds.

Permitted Investment means any legally permissible investment for University funds, but only to the extent that the same are acquired at Fair Market Value**.**

Person means an individual, a corporation, a partnership, limited liability company, an association, a joint stock company, a trust, an unincorporated organization, a governmental body or a political subdivision, a municipal corporation, a public corporation or any other group or organization of individuals.

Projects means projects approved by the Board or pursuant to the Debt Policy including without limitation the Kincaid Hall, Northwest Hospital Childbirth Center, and Destination One (aka Clinical Transformation) projects.

Purchase Date means the dates selected by the Authorized Representative of the University and set forth in the Bond Terms Agreement, as applicable.

Purchase Price has the meaning set forth in the Bond Terms Agreement, as applicable.

Rating Agency means Fitch, Moody's or S&P.

Rating Category means the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

RCW means the Revised Code of Washington, as now in existence or hereafter amended, or any successor codification of the laws of the State.

Reciprocal Payment means any payment to be made to, or for the benefit of, the University under the Payment Agreement by the Reciprocal Payor.

Reciprocal Payor means any bank or corporation, partnership or other entity that is a party to the Payment Agreement and that is obligated to make one or more Reciprocal Payments thereunder.

Record Date means (except as otherwise set forth in the applicable Bond Terms Agreement):

(a) with respect to 2019/2020 Bonds in the Fixed Mode or Term Mode, the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date; and

(b) with respect to all other Modes, the Business Day immediately prior to the applicable Interest Payment Date.

Redemption Date means the date fixed for redemption of 2019/2020 Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof or the terms of an applicable Bond Terms Agreement.

Redemption Price means amounts to be paid to redeem the 2019/2020 Bonds on the Redemption Date as set forth in the applicable Bond Terms Agreement, or Section 12(a) as applicable.

Refunded Bonds means the Refunding Candidates designated by the Authorized Representative of the University pursuant to Section 23 of this resolution.

Refunding Candidates means the bonds issued by or on behalf of the University and the obligations issued by or on behalf of Northwest Hospital & Medical Center currently outstanding as shown on Exhibit A.

Registered Owner means the person named as the registered owner of a 2019/2020 Bond on the Bond Register. For so long as the 2019/2020 Bonds are held by a Securities Depository or its nominee, such Securities Depository shall be deemed to be the Registered Owner.

Registrar means the Fiscal Agent, whose duties include registering and authenticating the 2019/2020 Bonds, maintaining the Bond Register, registering the transfer of the 2019/2020 Bonds, paying interest on and principal of the 2019/2020 Bonds, and drawing on any Credit Facility securing 2019/2020 Bonds for such purpose, and drawing any amounts under any Credit Facility or Liquidity Facility for the purpose of paying the Purchase Price of any 2019/2020 Bonds payable pursuant to such Credit Facility or Liquidity Facility.

Reimbursement Agreement means a reimbursement agreement, standby bond purchase agreement, or other agreement relating to the 2019/2020 Bonds between the University and any Credit Facility Issuer or Liquidity Facility Issuer, and any and all modifications, alterations, and amendments and supplements thereto.

Remarketing Agent means one or more remarketing agents selected from time to time by the Authorized Representative of the University to serve as remarketing agent for 2019/2020 Bonds pursuant to a Remarketing Agreement.

Remarketing Agreement means a Remarketing Agreement relating to 2019/2020 Bonds between the University and any Remarketing Agent, or any similar agreement, as it may be amended or supplemented from time to time in accordance with its terms.

Rule means the Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended from time to time.

Securities Depository means any clearing agency registered under Section 17A of the Securities Exchange Act of 1934, as amended.

Serial Bonds means those 2019/2020 Bonds designated as serial bonds in the Bond Purchase Contract.

State means the state of Washington.

S&P means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term

S&P shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody's or Fitch) selected by the Authorized Representative of the University.

Term Bonds means 2019/2020 Bonds, if any, designated as term bonds in the applicable Bond Terms Agreement.

Term Rate means the per annum interest rate for a series or subseries of 2019/2020 Bonds in the Term Rate Mode determined pursuant to the Bond Terms Agreement for such 2019/2020 Bonds.

Term Rate Mode means the Mode during which a series or subseries of 2019/2020 Bonds bear interest at the Term Rate.

Trust Agreement means a Trust Agreement entered into between the University and a Trustee with respect to 2019/2020 Bonds, setting forth the terms of such 2019/2020 Bonds.

Trustee means a bond trustee selected by the Authorized Representative of the University to act on behalf of owners of 2019/2020 Bonds pursuant to a Trust Agreement.

2019/2020 Bonds means the 2019/2020 New Money Bonds and the 2019/2020 Refunding Bonds.

2019/2020 New Money Bonds means the University of Washington General Revenue Bonds, Series [2019/2020][__] [Taxable] issued in one or more series or subseries in the aggregate principal amount not to exceed $102,000,000 to finance (or refinance commercial paper issued to finance) costs of the Projects pursuant to this resolution.

2019/2020 Refunding Bonds means the University of Washington General Revenue Refunding Bonds, Series [2019/2020][__] [Taxable] issued in one or more series or subseries to redeem and/or defease or otherwise implement the refinancing of one or more of the Refunding Candidates.

2019/2020 Taxable Bonds means any 2019/2020 Bonds determined to be issued on a taxable basis pursuant to Section 23.

2019/2020 Tax-Exempt Bonds means any 2019/2020 Bonds determined to be issued on a tax-exempt basis pursuant to Section 23.

Underwritten 2019/2020 Bonds means 2019/2020 Bonds, if any, sold pursuant to a Bond Purchase Contract pursuant to Section 23 of this Resolution.

University means the University of Washington, a higher educational institution of the State, the main campus of which is located at Seattle, Washington.

University of Washington building account means the fund of that name into which certain Building Fees are to be deposited pursuant to RCW 28B.15.210, as amended from time to time.

University of Washington bond retirement fund means the special fund of that name created by chapter 254, Laws of 1957.

University Payment means any payment required to be made by or on behalf of the University under a Payment Agreement and which is determined according to a formula set forth in the Payment Agreement.

Weekly Mode means the Mode during which a series or subseries of the 2019/2020 Bonds bear interest at the Weekly Rate.

Weekly Rate means the per annum interest rate for a series or subseries of the 2019/2020 Bonds in the Weekly Mode determined pursuant to the Bond Terms Agreement for such 2019/2020 Bonds.

Interpretation. In this resolution, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein, "hereunder" and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this resolution;

(b) Words of any gender shall mean and include correlative words of any other gender and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Whenever any consent or direction is required to be given by the University, such consent or direction shall be deemed given when given by the Authorized Representative of the University or his or her designee, respectively, and all references herein to the Authorized Representative of the University shall be deemed to include references to his or her designee, as the case may be.

Section 2. Findings.

The Board hereby finds as follows:

(a) It is in the best interests of the University to finance (or refinance commercial paper issued to finance or refinance) all or a portion of the costs of the Projects, through the issuance of 2019/2020 New Money Bonds in one or more series or subseries, upon the terms and conditions set forth for the 2019/2020 New Money Bonds in this resolution.

(b) It is in the best interests of the University to consider the redemption or defeasance of one or more of the Refunding Candidates, or any portion thereof, to achieve debt service savings upon the terms and conditions set forth in this resolution.

(c) It is necessary and in the best interest of the University to issue the 2019/2020 Bonds payable from General Revenues.

Section 3. Authorization and Purpose of 2019/2020 Bonds.

(a) *2019/2020 New Money Bonds.* The 2019/2020 New Money Bonds shall be in an aggregate principal amount not to exceed $102,000,000, and shall be issued in one or more series or subseries to pay (or pay commercial paper notes issued to finance or refinance) costs of the Projects and to pay Issuance Costs for the 2019/2020 New Money Bonds. The 2019/2020 New Money Bonds shall be issued under terms determined pursuant to Section 23, as further set forth in the Bond Terms Agreement for such 2019/2020 New Money Bonds; shall be numbered in the manner determined by the Registrar; and shall be issued in fully registered form in Authorized Denominations.

(b) *2019/2020 Refunding Bonds.* The 2019/2020 Refunding Bonds, if any, shall be issued in one or more series or subseries to redeem and/or defease or otherwise implement the refinancing of one or more of the Refunding Candidates designated pursuant to Section 23 and to pay Issuance Costs for the 2019/2020 Refunding Bonds. The 2019/2020 Refunding Bonds shall be issued under terms determined pursuant to Section 23, as further set forth in the Bond Terms Agreement for such 2019/2020 Refunding Bonds; shall be numbered in the manner determined by the Registrar; and shall be issued in fully registered form in Authorized Denominations.

Section 4. Description of 2019/2020 Bonds.

(a) *General Terms.* The 2019/2020 Bonds shall be dated as of their date of original issuance and shall mature on the Maturity Dates, as determined pursuant to Section 23, as further set forth in the applicable Bond Terms Agreement for such series of 2019/2020 Bonds. The 2019/2020 Bonds shall bear interest determined within Modes selected by the Authorized Representative of the University from time to time. All 2019/2020 Bonds shall be issued in the form of fully registered 2019/2020 Bonds in Authorized Denominations and, unless the Registrar shall otherwise direct, shall be numbered R-1 and upwards.

The University may designate one or more series or subseries of the 2019/2020 Bonds from time to time. 2019/2020 New Money Bonds shall be named University of Washington General Revenue Bonds, Series [2019/2020], with an additional designation of "Taxable" for any series of 2019/2020 Taxable Bonds. 2019/2020 Refunding Bonds shall be named University of Washington General Revenue Refunding Bonds, Series [2019/2020], with an additional designation of "Taxable" for any series of 2019/2020 Taxable Bonds. 2019/2020 Bonds issued in one series composed of both New Money Bonds and Refunding Bonds shall be named University of Washington General Revenue and Refunding Bonds, Series [2019/2020], with an additional designation of "Taxable" for any series of 2019/2020 Taxable Bonds. At the written direction of the Authorized Representative of the University, the Registrar shall designate a particular principal amount of 2019/2020 Bonds (in Authorized Denominations) as a series or subseries. A series of 2019/2020 Bonds shall be identified by the year of issue (either 2019 or 2020) and sequential letters (e.g. Series 2019A, Series 2019B, Series 2020A, Series 2020B). A subseries of 2019/2020 Bonds shall be further identified by sequential numbers (e.g., Series 2019A-1, Series 2019A-2, Series 2019B-1, Series 2019B-2). Upon such designation, such 2019/2020 Bonds shall be a series or subseries, as applicable, for this purposes of this resolution, unless and until consolidated or changed to another series or subseries designation by written direction of the Authorized Representative of the University. All 2019/2020 Bonds of a series shall be in the same Mode, but any two series need not be in the same Mode.

(b) *Terms.* Principal of and interest and any premium on the 2019/2020 Bonds shall be payable in lawful money of the United States of America.

(c) *Modes*. The terms applicable to 2019/2020 Bonds in the Daily Mode, the Weekly Mode, the Term Mode, the Commercial Paper Mode, the Index Floating Mode or the Fixed Mode, and provisions for conversions between and within such Modes, shall be as provided in the applicable Bond Terms Agreement, as applicable.

(d) *Determinations Conclusive*. If the 2019/2020 Bonds of a series or subseries are in the Daily Mode, the Weekly Mode, the Term Mode, the Commercial Paper Mode, the Index Floating Mode or the Fixed Mode, the Interest Rates determined as provided in the Bond Terms Agreement, as applicable, shall be conclusive.

(e) *Maximum Rate*. No 2019/2020 Bond, other than a Bank Bond, shall bear interest at an Interest Rate higher than the Maximum Rate.

Section 5. Execution.

The 2019/2020 Bonds shall be executed on behalf of the University by the manual or facsimile signatures of the Chair and the Secretary of the Board, and the official seal of the University shall be reproduced thereon. The validity of any 2019/2020 Bond so executed shall not be affected by the fact that one or more of the officers whose signatures appear on such 2019/2020 Bond have ceased to hold office at the time of issuance or authentication or at any time thereafter.

Section 6. Authentication.

No 2019/2020 Bonds shall be valid for any purpose hereunder until the certificate of authentication printed thereon is duly executed by the manual signature of an authorized signatory of the Registrar. Such authentication shall be proof that the Registered Owner is entitled to the benefit of the trusts hereby created.

Section 7. Registration, Transfer and Exchange.

(a) *Registrar*. The 2019/2020 Bonds shall be issued only in registered form as to both principal and interest. The University hereby appoints the Fiscal Agent as the Registrar for the 2019/2020 Bonds. So long as any 2019/2020 Bonds remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange or registration of transfer of 2019/2020 Bonds. The Registrar may be removed at any time at the option of the Authorized Representative of the University and a successor Registrar appointed by the Authorized Representative of the University. Any successor Registrar must be the Authorized Representative of the University or a commercial bank with trust powers or a trust company. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the University, to authenticate and deliver 2019/2020 Bonds transferred or exchanged in accordance with the provisions of such 2019/2020 Bonds and this resolution and to carry out all of the Registrar's powers and duties under this resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the 2019/2020 Bonds.

The Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the 2019/2020 Bonds which shall at all times be open to inspection by the University (the "Bond Register").

(b) *Letter of Representations/Book-Entry System*. To induce DTC to accept the 2019/2020 Bonds as eligible for deposit at DTC, the University has executed and delivered the Letter of Representations. Except as otherwise set forth in the Bond Terms Agreement, the 2019/2020 Bonds initially issued shall be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations.

(c) *University and Registrar Not Responsible for DTC*. Neither the University nor the Registrar will have any responsibility or obligation to DTC Participants or the persons for whom they act as nominees with respect to the 2019/2020 Bonds in respect of the accuracy of any records maintained by DTC or any DTC Participant, the payment by DTC or any DTC Participant of any amount in respect of the principal or redemption price of or interest on the 2019/2020 Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the University to the Registrar or to DTC), the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2019/2020 Bonds or any consent given or other action taken by DTC as the Registered Owner.

(d) *DTC as Registered Owner*. Except as otherwise set forth in the Bond Terms Agreement, payment of any such 2019/2020 Bond shall be made only as described in this section, but the transfer of such ownership may be registered as herein provided. All such payments made as described in this section shall be valid and shall satisfy and discharge the liability of the University upon such 2019/2020 Bond to the extent of the amount or amounts so paid. Except as provided in Section 27, the University and the Registrar shall be entitled to treat the Securities Depository (as Registered Owner) as the absolute owner of all 2019/2020 Bonds for all purposes of this resolution and any applicable laws, notwithstanding any notice to the contrary received by the Registrar or the University. Neither the University nor the Registrar will have any responsibility or obligation under this resolution or the 2019/2020 Bonds, legal or otherwise, to any other party including DTC or its successor (or substitute Securities Depository or its successor), except to the Registered Owners.

(e) *Use of DTC/Book-Entry System.*

(1) *2019/2020 Bonds Registered in the Name Designated by DTC.* Except as otherwise set forth in the Bond Terms Agreement, the 2019/2020 Bonds shall be registered initially in the name of "CEDE & Co.," as nominee of DTC, (or such other name as may be requested by an authorized representative of DTC) with one 2019/2020 Bond maturing on each maturity date of a series or subseries bearing interest at a particular rate in a denomination corresponding to the total principal therein designated to mature on such date and bearing interest as such rate. Registered ownership of such immobilized 2019/2020 Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, *provided that* any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute Securities Depository appointed by the Authorized Representative of the University pursuant to subsection (2) below or such substitute Securities Depository's successor; or (C) to any person as provided in paragraph (4) below.

(2) *Substitute Depository.* Upon the resignation of DTC or its successor (or any substitute Securities Depository or its successor) from its functions as Securities Depository or a determination by the Authorized Representative of the University that it is no longer in the best interest of Beneficial Owners to continue the system of book entry transfers through DTC or its successor (or any substitute Securities Depository or its successor), the Authorized Representative of the University may hereafter appoint a substitute Securities Depository. Any such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) *Issuance of New 2019/2020 Bonds to Successor/Substitute Depository*. In the case of any transfer pursuant to clause (A) or (B) of paragraph (e)(1) above, the Registrar shall, upon receipt of all outstanding 2019/2020 Bonds of a series or subseries, together with a written request on behalf of the Authorized Representative of the University, issue a single new 2019/2020 Bond for each maturity of such series or subseries of 2019/2020 Bonds then Outstanding and bearing interest at a particular rate, registered in the name of such successor or such substitute Securities Depository, or their nominees, as the case may be, all as specified in such written request of the Authorized Representative of the University.

(4) *Termination of Book-Entry System*. In the event that (A) DTC or its successor (or substitute Securities Depository or its successor) resigns from its functions as Securities Depository, and no substitute Securities Depository can be obtained, or (B) the Authorized Representative of the University determines that it is in the best interest of the Beneficial Owners of the 2019/2020 Bonds that they be able to obtain 2019/2020 Bond certificates, the ownership of 2019/2020 Bonds may then be transferred to any person or entity as herein provided, and the 2019/2020 Bonds shall no longer be held in fully immobilized form. The Authorized Representative of the University shall deliver a written request to the Registrar, together with a supply of definitive 2019/2020 Bonds, to issue 2019/2020 Bonds as herein provided in any Authorized Denomination. Upon receipt of all then Outstanding 2019/2020 Bonds by the Registrar together with a written request on behalf of the Authorized Representative of the University to the Registrar, new 2019/2020 Bonds shall be issued in such Authorized Denominations and registered in the names of such persons as are requested in such written request.

(f) *Transfer or Exchange of Registered Ownership; Change in Denominations*. If the 2019/2020 Bonds are no longer held in immobilized, book-entry form, or if so provided in the Bond Terms Agreement, the transfer of ownership of any 2019/2020 Bond may be registered and such 2019/2020 Bonds may be exchanged, but no transfer of any 2019/2020 Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such 2019/2020 Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered 2019/2020 Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new 2019/2020 Bond (or 2019/2020 Bonds at the option of the new Registered Owner) of the same series, date, designation, if any, maturity date and interest rate and for the same aggregate principal amount in any Authorized Denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered 2019/2020 Bond, in exchange for such surrendered and canceled 2019/2020 Bond. Any 2019/2020 Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of 2019/2020 Bonds of the same series or subseries, date, maturity date and interest rate, in any Authorized Denomination. The Registrar shall not be obligated to transfer or exchange any 2019/2020 Bond during the five-day period prior to the selection of 2019/2020 Bonds for redemption or the maturity date or following any mailing of notice of redemption. No charge shall be imposed upon Registered Owners in connection with any transfer or exchange, except for taxes or governmental charges related thereto.

Section 8. Mutilated, Destroyed, Lost or Stolen 2019/2020 Bonds.

If any 2019/2020 Bond is lost, stolen or destroyed, the University may execute and the Registrar may authenticate and deliver a new 2019/2020 Bond or 2019/2020 Bonds of like series or subseries, date and tenor to the Registered Owner thereof, all in accordance with law. However, no substitution or payment shall be made unless and until the applicant shall furnish (a) evidence satisfactory to said Registrar and Authorized Representative of the University of the destruction or loss of the original 2019/2020 Bond and of the ownership thereof, and (b) such additional security, indemnity or evidence as may be required by the Authorized Representative of the University. No substitute 2019/2020 Bond shall be furnished unless the applicant shall reimburse the University and the Registrar for their respective expenses in the furnishing thereof. Any such substitute 2019/2020 Bond so furnished shall be equally and proportionately entitled to the security of this resolution with all other 2019/2020 Bonds issued hereunder.

Section 9. Payments of Principal, Redemption Price and Interest; Persons Entitled Thereto.

(a) *Payments of Principal, Interest, Purchase and Redemption Prices*. The principal or Redemption Price of each 2019/2020 Bond shall be payable upon surrender or delivery of such 2019/2020 Bond to the Registrar or as otherwise provided in the Bond Terms Agreement. For so long as DTC is the Registered Owner, interest and principal shall be paid and delivery shall be made as described in the operational arrangements referred to in the Letter of Representations and pursuant to DTC's standard procedures.

(b) *Accrual of Interest*. Subject to the further provisions of this section, each 2019/2020 Bond shall accrue interest and be payable as to interest as follows:

(1) On each Interest Payment Date, the Registered Owner of each 2019/2020 Bond as of the Record Date shall be paid the amount of unpaid interest that accrues to the Interest Payment Date.

(2) The interest due on any 2019/2020 Bond on any Interest Payment Date shall be paid to the Registered Owner of such 2019/2020 Bond as shown on the Bond Register as of the Record Date. Except as otherwise provided in the applicable Bond Terms Agreement, the amount of interest so payable on any Interest Payment Date shall be computed (A) on the basis of a 365- or 366-day year for the number of days actually elapsed based on the calendar year for 2019/2020 Bonds in the Daily Mode, Commercial Paper Mode, Index Floating Mode or Weekly Mode, and (B) on the basis of a 360-day year of twelve 30-day months during a Term Mode or a Fixed Mode.

(3) If 2019/2020 Bonds of a series or subseries are no longer held by a Securities Depository, and except as otherwise set forth in the Bond Terms Agreement, during the Term Mode or Fixed Mode, the interest, principal or Redemption Price of the 2019/2020 Bonds shall be payable by check, provided that any Registered Owner of $1,000,000 or more in aggregate principal amount of the 2019/2020 Bonds, upon written request given to the Registrar at least five Business Days prior to the Interest Payment Date, Maturity Date or Redemption Date designating an account in a domestic bank, may be paid by wire transfer of immediately available funds. If the 2019/2020 Bonds of a series or subseries are no longer held by a Securities Depository, and except as otherwise set forth in the Bond Terms Agreement, all payments of interest, principal or the Redemption Price on the 2019/2020 Bonds during the Commercial Paper Mode, Daily Mode, Index Floating Mode or Weekly Mode shall be paid to the Registered Owners entitled thereto on the Interest Payment Date in immediately available funds by wire transfer to a bank within the United States or deposited to a designated account if such account is maintained with the Registrar as directed by the Registered Owner in writing or

as otherwise directed in writing by the Registered Owner on or prior to the applicable Record Date.

Any account specified pursuant to paragraph (3) hereof shall remain in effect until revoked or revised by the Registered Owner, the Credit Facility Issuer or Liquidity Facility Issuer by an instrument in writing delivered to the Registrar.

Section 10. Acts of Registered Owners; Evidence of Ownership.

Any action to be taken by Registered Owners may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Registered Owners in person or by an agent appointed in writing. Any action by the Registered Owner of any 2019/2020 Bond shall bind all future Registered Owners of the same 2019/2020 Bond or of any 2019/2020 Bond issued upon the exchange or registration of transfer thereof in respect of anything done or suffered by the University or the Registrar in pursuance thereof.

Except as provided in any Reimbursement Agreement or Credit Facility, the Registrar and the University may treat the Registered Owner of a 2019/2020 Bond as the absolute owner thereof for all purposes, whether or not such 2019/2020 Bond shall be overdue, and the Registrar and the University shall not be affected by any knowledge or notice to the contrary; and payment of the principal of and premium, if any, and interest on such 2019/2020 Bond shall be made only to such Registered Owner, which payments shall satisfy and discharge the liability of the University with respect to such 2019/2020 Bond to the extent of the sum or sums so paid.

Section 11. Form of 2019/2020 Bonds.

The 2019/2020 Bonds shall each be in substantially the following form, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby. If the 2019/2020 Bonds are not held in fully-immobilized form, the form of 2019/2020 Bonds will be changed to reflect the changes required in connection with the preparation of certificated 2019/2020 Bonds. The form of the 2019/2020 Bonds shall further be changed as necessary to reflect whether the 2019/2020 Bonds are 2019/2020 New Money Bonds or 2019/2020 Refunding Bonds, whether the 2019/2020 Bonds are 2019/2020 Tax-Exempt Bonds or 2019/2020 Taxable Bonds, whether the 2019/2020 Bonds are Underwritten 2019/2020 Bonds or Direct Purchase 2019/2020 Bonds, any series or subseries designation for the 2019/2020 Bonds and the Current Mode of the 2019/2020 Bonds.

No. R-_____ $___________

UNITED STATES OF AMERICA

[DTC LANGUAGE]

[STATEMENT OF INSURANCE, IF ANY]

UNIVERSITY OF WASHINGTON
GENERAL REVENUE [REFUNDING] BOND, 2019/2020[____] [Taxable]

[INTEREST RATE] MATURITY DATE: ISSUE DATE CUSIP

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The University of Washington (the "University") hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from __________ ____, _____, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate [set forth above][described below], payable on the first days of each _________ and __________, commencing on ________ 1, 20__. Both principal of and interest on this bond are payable in lawful money of the United States of America. [For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the University to DTC.] The [Authorized Representative of the University][fiscal agent of the state of Washington] is acting as the registrar, authenticating agent and paying agent for the bonds of this issue (the "Bond Registrar").

This bond is issued pursuant to a resolution of the Board of Regents of the University (the "Bond Resolution") to [finance or refinance costs of the Projects][refund certain outstanding bonds], and to pay costs of issuance.

This bond is payable solely from General Revenues of the University, and the University does hereby pledge and bind itself to set aside from such General Revenues, and to pay into the General Revenue Bond Redemption Fund, 2019/2020 (the "Bond Fund") the various amounts required by the Bond Resolution to be paid into and maintained in such Fund, all within the times provided by the Bond Resolution. Interest on this bond shall accrue at [the Fixed Rate set forth above] [Daily Rates, Weekly Rates, Commercial Paper Rates, Index Floating Rates, Term Rates or Fixed Rates], payable on Interest Payment Dates, all as provided in or authorized under the Bond Resolution.

The bonds of this issue are subject to redemption prior to their scheduled maturity under the terms of the bond purchase contract for such bonds.

[The bonds of this issue are not private activity bonds and are not "qualified tax exempt obligations" eligible for investment by financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.]

Except as otherwise provided in the Bond Resolution, this bond shall not be entitled to any right or benefit under the Bond Resolution, or be valid or become obligatory for any purpose, until this bond shall have been authenticated by execution by the Registrar of the certificate of authentication inscribed hereon.

It is hereby certified, recited and represented that the issuance of this bond and the 2019/2020 Bonds of this issue is duly authorized by law; that all acts, conditions and things required to exist and necessary to be done or performed precedent to and in the issuance of this bond and the 2019/2020 Bonds of this issue to render the same lawful, valid and binding have been properly done and performed and have happened in regular and due time, form and manner as required by law; that all acts, conditions and things necessary to be done or performed by the University or to have happened precedent to and in the execution and delivery of the Bond Resolution have been done and performed and have happened in regular and due form as required by law; that due provision has been made for the payment of the principal of and premium, if any, and interest on this bond and the 2019/2020 Bonds of this issue and that the issuance of this bond and the 2019/2020 Bonds of this issue does not contravene or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, the University of Washington has caused this bond to be executed with the manual or facsimile signatures of the Chair and to be attested to by the Secretary of the Board of Regents and caused a facsimile of the official seal of the University to be reproduced hereon.

UNIVERSITY OF WASHINGTON

(SEAL)

By ___________________________________
Chair, Board of Regents

By ________________________________
Secretary, Board of Regents

The Certificate of Authentication for the 2019/2020 Bonds shall be in substantially the following form and shall appear on each 2019/2020 Bond:

AUTHENTICATION CERTIFICATE

This bond is one of the University of Washington General Revenue [Refunding] [and Refunding] Bonds, Series [2019/2020][__] described in the within-mentioned Bond Resolution.

REGISTRAR

By ________________________________
Authorized Signatory

Date of Authentication: ______________________

Section 12. Redemption.

(a) *Optional Redemption.* 2019/2020 Bonds in a Term Mode, Index Floating Mode or Fixed Mode shall be subject to redemption at the option of the University, in whole or in part, in Authorized Denominations on such dates and at such prices as determined by the University for such 2019/2020 Bonds as set forth in the respective Bond Terms Agreement, as applicable. 2019/2020 Bonds in the Commercial Paper Mode are not subject to optional redemption prior to their respective Purchase Dates. Commercial Paper Bonds shall be subject to redemption at the option of the University, in whole or in part in principal amounts that permit all remaining Outstanding Bonds of the same series or subseries to continue in Authorized Denominations, on their respective Purchase Dates at a redemption price equal to the principal amount thereof. 2019/2020 Bonds in the Daily Mode or the Weekly Mode shall be subject to redemption at the option of the University, in whole or in part, in principal amounts which permit all remaining Outstanding Bonds of the same series or subseries to continue in Authorized Denominations, on any date at a redemption price equal to the principal amount thereof. Bank Bonds shall be subject to redemption as set forth in the applicable Reimbursement Agreement or Loan Agreement.

(b) *Mandatory Redemption.* If the 2019/2020 Bonds of a series or subseries are issued in the Fixed Mode, any Term Bonds of such series or subseries shall be subject to mandatory redemption prior to their maturity by the Registrar in part, in the years and in the amounts set forth in the applicable Bond Purchase Contract (subject to reductions arising from the University's acquisition and surrender or the optional redemption of 2019/2020 Bonds, all as described in the next paragraph) or Bond Terms Agreement at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date. If the 2019/2020 Bonds of a series or subseries are issued in a Daily Mode, Weekly Mode, Index Floating Mode or Commercial Paper Mode and converted to the Fixed Mode or Term Mode, the 2019/2020 Bonds of that series or subseries (other than Bank Bonds) may be converted in whole or in part to Serial Bonds and/or Term Bonds upon delivery of a Favorable Opinion of Bond Counsel prior to the commencement of the Term Mode or Fixed Mode for such 2019/2020 Bonds and if so converted to Term Bonds shall be subject to mandatory sinking fund redemption as determined by the University pursuant to the Bond Terms Agreement, as applicable.

(c) *Selection of 2019/2020 Bonds for Redemption.* Whenever the University elects to redeem fewer than all of the 2019/2020 Bonds of a series or subseries, the University shall select the maturity or maturities within such series or subseries to be redeemed. Whenever fewer than all the Outstanding 2019/2020 Bonds of a series or subseries and maturity are to be redeemed, the 2019/2020 Bonds to be redeemed shall be selected in accordance with the operational arrangements of DTC referred to in the Letter of Representations (or, in the event the 2019/2020 Bonds of a series or subseries are not in book-entry only form, randomly by the Registrar). In no event shall any Bond be Outstanding in a principal amount that is not an Authorized Denomination.

(d) *Notice of Redemption.* For so long as the book entry-system is in effect with respect to a series or subseries of 2019/2020 Bonds, notice of redemption shall be provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations, and no additional published or other notice shall be provided by the University; *provided, however*, that the Credit Facility Issuer, if any, or Liquidity Facility Issuer, if any, shall be given prior written notice by the University of any proposed redemption of 2019/2020 Bonds. In any event, except as otherwise set forth in the Bond Terms Agreement, notice of redemption shall be given by the University to the Registrar who shall give notice to DTC at least 20 days prior to the proposed date of redemption during the Term Mode or Fixed Mode and at least 15 days prior to the proposed date of redemption during any other Mode, all as set forth in the University's written direction to the Registrar. If the book-entry system is not in effect with respect to a series or subseries of 2019/2020 Bonds, and except as otherwise set forth in the Bond Terms Agreement, notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of 2019/2020 Bonds to be redeemed, official notice of any such redemption shall be given by the Registrar on behalf of the University in accordance with the University's written direction to do so by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption during the Term Mode or Fixed Mode, and at least 15 days and not more than 60 days prior to the date fixed for redemption during any other Mode, to the Registered Owner of the 2019/2020 Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar.

(e) *Effect of Redemption.* Any notice for redemption may be conditional, in which case the conditions shall be set forth therein. If an unconditional notice of redemption has been given or if a conditional notice of redemption has been given and the conditions set forth in a conditional notice of redemption have been satisfied, then on the Redemption Date the 2019/2020 Bonds or portions thereof so called for redemption shall become payable at the Redemption Price specified in such notice; and from and after the Redemption Date, interest thereon or on portions thereof so called for redemption shall cease to accrue, such 2019/2020 Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security hereunder or under an applicable Trust Agreement, and the Owners of such 2019/2020 Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such 2019/2020 Bonds to the Registrar. Notwithstanding the foregoing, any Bank Bonds shall remain Outstanding until the Credit Facility Issuer or Liquidity Facility Issuer or Direct Purchaser, as the case may be, is paid all amounts due in connection with such 2019/2020 Bonds or portions thereof to be redeemed on the

Redemption Date. After payment to the Credit Facility Issuer or Liquidity Facility Issuer or Direct Purchaser, as the case may be, of all amounts due on Bank Bonds such Credit Facility Issuer or Liquidity Facility Issuer or Direct Purchaser shall surrender such 2019/2020 Bonds to the Registrar for cancellation. The University may make such redemption conditioned upon the occurrence of any specified event or events, including the deposit of funds, and if such event or events shall not occur, then the University may cancel such redemption by delivering a written notice of rescission to the Registrar rescinding such notice of redemption not later than 5:00 p.m. Pacific Time on the second business day prior to the redemption date and such notice of redemption and redemption shall be rescinded, cancelled and of no force or effect. Upon such receipt of the rescission notice from the University, the Registrar shall send a copy of the notice to the Owners of the 2019/2020 Bonds subject to the notice in the same manner as the notice of redemption was given.

Section 13. Bond Fund.

The Controller of the University is hereby authorized and directed to establish the Bond Fund as a special fund of the University to be designated as the General Revenue Bond Redemption Fund, 2019/2020 (the "Bond Fund"). The University covenants to deposit into the Bond Fund from General Revenues on or prior to each interest payment date, redemption date and maturity date an amount sufficient to pay the interest on the 2019/2020 Bonds then coming due and the principal of the 2019/2020 Bonds maturing or subject to redemption and redemption premium, if any. The University will transfer to the Registrar from the Bond Fund sufficient funds to enable the Registrar to pay interest on and/or principal of and redemption price of the 2019/2020 Bonds to the Registered Owners, when any such payments are due to be paid to the Registered Owners. Net income earned on investments in the Bond Fund, if any, shall be deposited in the Bond Fund.

Section 14. Application of 2019/2020 Bond Proceeds.

(a) *2019/2020 New Money Bonds.* The Authorized Representative of the University is hereby authorized and directed to create a special fund or account of the University (the "Capital Fund"). The proceeds of the 2019/2020 New Money Bonds shall be paid into the Capital Fund. The money on deposit in the Capital Fund shall be utilized to pay or reimburse the University for costs of the Projects and costs incidental thereto, and Issuance Costs, to the extent designated by the Authorized Representative of the University.

All or part of the proceeds of the 2019/2020 New Money Bonds may be temporarily invested in Permitted Investments that will mature prior to the date on which such money shall be needed. Except as otherwise provided in the Federal Tax Certificate, the University covenants that all investments of amounts deposited in the Capital Fund, or otherwise containing gross proceeds of the 2019/2020 Tax-Exempt Bonds (within the meaning of Section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Code) at Fair Market Value.

In the event that it shall not be possible or practicable to accomplish all of the Projects, the University may apply the proceeds of the 2019/2020 New Money Bonds to pay the costs of such portion thereof or such other projects as the Authorized Representative of the University shall determine to be in the best interests of the University.

Any part of the proceeds of the 2019/2020 New Money Bonds remaining in the Capital Fund after all costs referred to in this section have been paid may be used to acquire, construct, equip and make other improvements to the facilities of the University subject to the limitations of this resolution or may be transferred to the Bond Fund for the uses and purposes therein provided, and any applicable limitations set forth in the Federal Tax Certificate.

(b) *2019/2020 Refunding Bonds.* The proceeds of each series of 2019/2020 Refunding Bonds shall be disbursed as provided in the related Escrow Agreement and/or Trust Agreement to redeem the Refunded Bonds on their Call Dates and/or defease the Refunded Bonds to their Call Dates through the application of proceeds of the 2019/2020 Refunding Bonds to acquire Acquired Obligations for deposit, together with cash, as provided in such Escrow Agreement and/or Trust Agreement.

Section 15. Source of Repayment and Security for 2019/2020 Bonds.

(a) *Special Fund Obligations.* The 2019/2020 Bonds shall be special fund obligations of the University, payable solely from General Revenues and the money and investments deposited into the Bond Fund. In addition, any Building Fee Revenue Bonds are payable first from money and investments in the University of Washington bond retirement account. The 2019/2020 Bonds shall not constitute an obligation, either general, special or moral, of the State, nor a general or moral obligation of the University. The Registered Owners of the 2019/2020 Bonds shall have no right to require the State, nor has the State any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of the principal thereof or the interest or any premium thereon. The University has no taxing power.

(b) *All Bonds Have Equal Claim on General Revenues.* The Bonds shall be equally and ratably payable, without preference, priority or distinction because of date of issue or otherwise from General Revenues.

(c) *Additions to General Revenues.*

(1) The University reserves the right to include in General Revenues, at its sole option, in the future, other sources of revenue or income, specifically including, but not limited to, all or any portion of the items or any auxiliary systems added pursuant to subsection (2) of this Section 15(c), then excluded as part of General Revenues.

(2) Such additions shall occur on the date and as provided in a certificate executed by the Controller of the University (or the successor to the functions of the Controller). The Controller shall, in the case of additions of items or auxiliaries to General Revenues, certify that for the preceding two Fiscal Years for which audited financial statements are available, the item or auxiliary maintained a "coverage ratio" of at least 125%, where the "coverage ratio" equals: (A) Net Revenue (for those items or auxiliaries whose debt has a

lien on Net Revenues) or gross revenues (for those items or auxiliaries whose debt has a lien on gross revenues), divided by (B) debt service with respect to the then-outstanding revenue debt of the auxiliary or item and state-reimbursed bonds allocable to such auxiliary or item. In the event an auxiliary or item is added to General Revenues, the obligations of that auxiliary or item may remain outstanding and have a prior claim on auxiliary Net Revenue. For the purposes of clarification, by its terms this subsection applies only to auxiliary systems or items that have issued and have outstanding obligations that are secured by a lien on Net Revenues or gross revenues of such auxiliary system or item. The certification has no applicability in the case of the addition of revenues that are not encumbered by a lien, which may be added under subsection (1) above.

(d) *Deletions from General Revenues.* The University reserves the right to remove, at its sole option, in the future, any revenues from General Revenues. The removal of General Revenues shall be evidenced by a certificate executed by the Controller of the University (or the successor to the functions of the Controller) identifying the items to be deleted.

(e) *Building Fee Revenue Bonds.* If any of the 2019/2020 Bonds are designated as Building Fee Revenue Bonds pursuant to Section 18, such Building Fee Revenue Bonds shall be payable from and secured by a pledge of any or all of the revenues and receipts of the University of Washington bond retirement fund. In addition, Building Fee Revenue Bonds shall be payable from General Revenue and money and investments in the Bond Fund.

The Board hereby covenants to establish, maintain and collect Building Fees in such amounts that will provide money sufficient to pay the principal of and interest on all bonds, including any Building Fee Revenue Bonds, payable out of the University of Washington bond retirement fund, to set aside and maintain reserves, if any, required to secure the payment of such principal and interest, and to maintain coverage, if any, which may be required over such principal and interest. Notwithstanding the foregoing, the Board hereby orders that in the event there is ever an insufficient amount of money in the University of Washington bond retirement fund to pay principal of or interest on any Building Fee Revenue Bond when due, moneys shall be transferred from the University of Washington building account to the University of Washington bond retirement fund.

Amounts on deposit in the University of Washington bond retirement fund shall be invested in Permitted Investments. Any money on deposit in the University of Washington bond retirement fund may be transferred to the University of Washington building account to the extent and as permitted by the Building Fee Revenue Bond Act.

Building Fee Revenue Bonds shall not be general or special obligations of the state of Washington, but shall be limited obligation bonds of the University payable only from Building Fees, money and investments in the University of Washington bond retirement fund, General Revenues and money and investments in the Bond Fund.

Section 16. Investment of Funds.

The University covenants to invest and reinvest money deposited in Bond Fund only in Permitted Investments. Except as otherwise provided in the Federal Tax Certificate, the University covenants that all investments of amounts deposited in the Bond Fund, or otherwise containing gross proceeds of the 2019/2020 Tax-Exempt Bonds (within the meaning of Section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Code) at Fair Market Value.

Section 17. Establishment of Additional Accounts and Subaccounts.

The University reserves the right, to be exercised in its sole discretion, to establish such additional accounts within the funds established pursuant to this resolution, and subaccounts within such accounts, as it deems necessary or useful for the purpose of identifying more precisely the sources of payments herein and disbursements therefrom; provided that the establishment of any such account or subaccount does not alter or modify any of the requirements of this resolution with respect to a deposit or use of money or result in commingling of funds not permitted hereunder.

Section 18. Additional Bonds.

The University shall have the right to issue one or more series of Additional Bonds for University purposes as permitted under the Bond Act, the Building Fee Revenue Bond Act or otherwise under State law, and the costs of issuing Additional Bonds, or to refund or advance refund any Bonds or other obligations. The University shall have the right to designate one or more series of Additional Bonds as Building Fee Revenue Bonds payable from and secured by the Building Fee and money and investments in the University of Washington bond retirement fund on a parity with the lien thereon of outstanding Building Fee Revenue Bonds to the extent permitted by the Building Fee Revenue Bond Act. The University shall have the further right to pledge Building Fees and moneys and investments in the University of Washington bond retirement fund to pay additional bonds payable from and secured solely by such Building Fees and moneys and investments on a parity with the lien thereon of outstanding Building Fee Revenue Bonds.

Section 19. Covenants Regarding Tax Exemption. The University will take all actions necessary to assure the exclusion of interest on the 2019/2020 Tax-Exempt Bonds from the gross income of the owners of the 2019/2020 Tax-Exempt Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2019/2020 Tax-Exempt Bonds, including but not limited to the following:

(a) The University will assure that the proceeds of the 2019/2020 Tax-Exempt Bonds are not used so as to cause the 2019/2020 Tax-Exempt Bonds to satisfy the private business tests or the private loan financing test, as applicable and as set forth in the Federal Tax Certificate.

(b) The University will not sell or otherwise transfer or dispose of (i) any personal property components of the Projects financed with the 2019/2020 Tax-Exempt Bonds other than in the ordinary course of an established government program or (ii) any real property components of the Projects financed with the 2019/2020 Tax-Exempt Bonds, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the 2019/2020 Tax-Exempt Bonds as excludable from gross income for federal income tax purposes as set forth in the Federal Tax Certificate.

(c) The University will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the 2019/2020 Tax-Exempt Bonds to be "federally guaranteed" as set forth in the Federal Tax Certificate.

(d) The University will take any and all actions necessary to assure compliance with the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2019/2020 Tax-Exempt Bonds as set forth in the Federal Tax Certificate.

(e) The University will not take, or permit or suffer to be taken, any action with respect to the proceeds of the 2019/2020 Tax-Exempt Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2019/2020 Tax-Exempt Bonds would have caused the 2019/2020 Tax-Exempt Bonds to be “arbitrage bonds” as set forth in the Federal Tax Certificate.

(f) The University will maintain a system for recording the ownership of each 2019/2020 Tax-Exempt Bond that complies with the Code until all 2019/2020 Tax-Exempt Bonds have been surrendered and canceled.

(g) The University will retain its records of all accounting and monitoring it carries out with respect to the 2019/2020 Tax-Exempt Bonds for at least three years after the 2019/2020 Tax-Exempt Bonds mature or are redeemed (whichever is earlier); however, if the 2019/2020 Tax-Exempt Bonds are redeemed and refunded, the University will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the 2019/2020 Tax-Exempt Bonds.

(h) The University will comply with the provisions of the Federal Tax Certificate with respect to the 2019/2020 Tax-Exempt Bonds, which are incorporated herein as if fully set forth herein. In the event of any conflict between this Section and the Federal Tax Certificate, the provisions of the Federal Tax Certificate will prevail.

The covenants of this Section will survive payment in full or defeasance of the 2019/2020 Tax-Exempt Bonds.

Section 20. No Recourse Against Individuals.

No owner of a 2019/2020 Bond (registered or beneficial) shall have any recourse for the payment of any part of the principal or redemption price, if any, of or interest on the 2019/2020 Bonds, or for the satisfaction of any liability arising from, founded upon, or existing by reason of, the issuance or ownership of such 2019/2020 Bonds against the officers of the University or officers or members of the Board in their individual capacities.

Section 21. Defeasance.

Except as otherwise set forth in the Bond Terms Agreement, any 2019/2020 Bonds shall be deemed to have been paid and not Outstanding under this resolution and shall cease to be entitled to any lien, benefit or security of this resolution and any money and investments held hereunder, except the right to receive the money and the proceeds and income from Government Obligations set aside and pledged in the manner hereafter described, if:

(a) in the event that any or all of 2019/2020 Bonds are to be optionally redeemed, the University shall have given to the Registrar irrevocable instructions to give such notice of redemption of such 2019/2020 Bonds as may be required by the provisions of this resolution; and

(b) there shall have been made an Irrevocable Deposit, with the Registrar or another corporate fiduciary of money in an amount which shall be sufficient and/or noncallable Government Obligations that are direct or indirect obligations of the United States or obligations unconditionally guaranteed by the United States maturing at such time or times and bearing such interest to be earned thereon, without considering any earnings on the reinvestment thereof, as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of the principal of and the interest on the defeased 2019/2020 Bonds, when due in accordance with their terms, or upon the earlier prepayment thereof in accordance with a refunding plan; and such money and the principal of and interest on such Government Obligations are set aside irrevocably and pledged in trust for the purpose of effecting such payment, redemption or prepayment.

Nothing contained in this Section 21 shall be construed to prohibit the partial defeasance of the lien of this resolution providing for the payment of one or more, but not all of the Outstanding 2019/2020 Bonds. In the event of such partial defeasance, this resolution shall be discharged only as to the 2019/2020 Bonds so defeased.

Section 22. Approval of Official Statement.

The University hereby authorizes and directs the Authorized Representative of the University to approve the information contained in each Preliminary Official Statement, if any, pertaining to 2019/2020 Bonds or 2019/2020 bonds issued on behalf of the University, to "deem final" each Preliminary Official Statement, if any, as of its date, except for the omission of information on offering prices, interest rates, selling compensation, delivery dates and any other terms or provisions of the 2019/2020 Bonds dependent on such matters, for the sole purpose of the applicable underwriter's compliance with the Rule and to authorize the distribution thereof to prospective purchasers of the series of 2019/2020 Bonds and others. The University further authorizes and directs any of such officers to approve the preparation, distribution and use of a final Official Statement or any other offering document, and to approve the information contained therein, in connection with the offering and sale of the applicable 2019/2020 Bonds or

2019/2020 bonds issued on behalf of the University, to the actual purchasers of the 2019/2020 Bonds and others. The University hereby authorizes any of such officers to execute each final Official Statement or other offering document described above to indicate such approval.

Section 23. Determination of Certain Matters Affecting 2019/2020 Bonds.

The Authorized Representative of the University is hereby authorized and directed to make the following determinations and/or take the following actions, subject to the limitations described below:

(a) determine whether the 2019/2020 Bonds shall be issued and sold in one or more series or subseries;

(b) determine the Mode in which 2019/2020 Bonds of a series or subseries shall be issued initially;

(c) determine the times and manner of conversion, if any, between and within Modes, and negotiate and execute documents to effect the conversion, including without limitation any Bond Terms Agreement, or amendments thereto;

(d) negotiate and execute at his or her discretion, one or more Escrow Agreements, Bond Terms Agreements, amendments to leases with respect to Refunding Candidates, options to extend such leases, and other documents in connection with the refunding of a Refunding Candidate, and amendments thereto from time to time;

(e) negotiate and execute a Payment Agreement, if any, in connection with the issuance of any series or subseries of 2019/2020 Bonds;

(f) select one or more Escrow Agents, underwriters, Direct Purchasers and/or Remarketing Agents;

(g) select some or all of the Refunding Candidates and designate those Refunding Candidates as the "Refunded Bonds" in the applicable Bond Purchase Contract or closing certificate;

(h) determine if it is in the best interest of the University for any or all of the 2019/2020 Bonds to be secured by a Liquidity Facility or Credit Facility and, if so, select the Liquidity Facility Issuer or Credit Facility Issuer, as applicable, pay the premium or fees therefor, issue one or more reimbursement or bank bonds, and enter into Reimbursement Agreements, each as applicable;

(i) subject to the limitations set forth herein, approve the Interest Rates if the 2019/2020 Bonds bear interest in Fixed Mode or Term Mode, Maturity Dates, aggregate principal amounts, principal amounts of each maturity, delayed remarketing terms, redemption rights, tender or put option rights, and other terms and conditions of the 2019/2020 Bonds;

(j) select a Trustee for the owners of any or all of the 2019/2020 Bonds and fix its or their rights, duties, powers, and obligations under the applicable Trust Agreement;

(k) determine whether any or all of the 2019/2020 Bonds shall be issued as 2019/2020 Tax-Exempt Bonds or as 2019/2020 Taxable Bonds and determine whether any or all of the 2019/2020 Tax-Exempt Bonds are to be designated as qualified 501(c)(3) obligations;

(l) determine whether any or all of the 2019/2020 Bonds shall be issued and sold as Direct Purchase 2019/2020 Bonds or as Underwritten 2019/2020 Bonds; and

(m) allocate 2019/2020 Bond proceeds to Projects and determine whether all or a portion of the Projects shall be financed with other sources, including the CAP.

The Authorized Representative of the University is hereby authorized to approve the foregoing subject to following conditions:

(a) the aggregate principal amount of the 2019/2020 New Money Bonds shall not exceed $102,000,000;

(b) the aggregate debt service to be paid on any 2019/2020 Refunding Bonds shall be less than the aggregate debt service (or aggregate rent reflecting debt service in the case of a lease with respect to a Refunding Candidate) on the Refunding Candidate to be refunded;

(c) the final maturity date of any 2019/2020 Refunding Bonds shall not be later than the end of the fiscal year that includes the final maturity date of the Refunding Candidate to be refunded with the proceeds of such bonds, and the term of any 2019/2020 New Money Bond shall not be longer than 31 years;

(d) the true interest cost to the University, taking into account any interest subsidy, for the 2019/2020 Bonds issued initially in the Fixed Mode does not exceed 6.0%;

(e) the aggregate principal amount of 2019/2020 Bonds issued in the Daily Mode, Weekly Mode, Index Floating Mode and Commercial Paper Mode does not exceed 20% of the aggregate principal amount of all then Outstanding Bonds (determined on the initial date of issuance of such 2019/2020 Bonds in the Daily Mode, Weekly Mode, Index Floating Mode or Commercial Paper Mode); and

(f) the date of any Closing Date is not later than July 31, 2020.

In determining the items described in this section, the Authorized Representative of the University may take into account those factors that, in the Authorized Representative of the University's judgment, will result in the lowest true interest cost on the 2019/2020 Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the 2019/2020 Bonds.

Upon determination by the Authorized Representative of the University that all conditions to Closing set forth in the applicable Bond Terms Agreement have been satisfied, or upon waiver of such conditions by the appropriate parties, the Authorized Representative of the University is hereby authorized and directed (a) to cause such 2019/2020 Bonds, executed as provided in this resolution, to be authenticated and delivered to the underwriters or Direct Purchaser(s); and (b) to execute, for and on behalf of the University, and to deliver to the persons entitled to executed copies of the same, the Official Statement or other offering document and all other documents required to be delivered, at or before the Closing Date pursuant to the applicable Bond Terms Agreement. The proper University officials are hereby authorized and directed to do everything necessary and proper for the prompt printing, execution, authentication, issuance and delivery of the 2019/2020 Bonds in exchange for the purchase price thereof.

This authorization is in addition to any previously delegated authority, including under the Debt Policy.

Section 24. Undertaking to Provide Continuing Disclosure.

An Authorized Representative of the University is authorized to, in his or her discretion, execute and deliver a certificate regarding continuing disclosure in order to assist the underwriters for 2019/2020 Bonds in complying with Section (b)(5) of the Rule.

Section 25. Payment Agreements.

The University may enter into a Payment Agreement providing for an exchange of Reciprocal Payments for University Payments in connection with one or more series or subseries of 2019/2020 Bonds. The following shall be conditions precedent to the use of any Payment Agreement.

(a) *Opinion of Bond Counsel*. The University shall obtain an opinion of its Bond Counsel on the due authorization and execution of such Payment Agreement opining that the action proposed to be taken by the University is authorized or permitted by this resolution and by Washington law and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the applicable series or subseries of 2019/2020 Tax-Exempt Bonds.

(b) *Certification of Financial Advisor.* The University shall obtain, on or prior to the date of execution of the Payment Agreement, a written certification from a financial advisor satisfying the requirements under RCW 39.96.030.

(c) *Approval of the State Finance Committee.* The Payment Agreement shall have been approved by the State Finance Committee under terms set forth in a resolution thereof, subject to final approval and authorization of the Payment Agreement by the Chair of the State Finance Committee pursuant to such terms. The approval of the State Finance Committee shall not constitute the pledge of the full faith and credit of the State. The University shall have the option to terminate the Payment Agreement in whole or in part, in the discretion of the Authorized Representative of the University.

(d) *Selection of Reciprocal Payor.* Prior to selecting the Reciprocal Payor, the University shall solicit and give due consideration to proposals from at least two entities that meet the criteria set forth in RCW 39.96.040(2). Such solicitation and consideration shall be conducted in such manner as the University (or the State Treasurer if so directed by resolution of the State Finance Committee) shall determine is reasonable.

(e) *Payments*. The Payment Agreement shall set forth the manner in which the University Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates. The University shall provide an annual report or certificate to the State Treasurer setting forth the information regarding the Payment Agreement, in form satisfactory to the State Treasurer.

(f) *Findings.*

(1) The obligations of the University under the Payment Agreement shall be paid solely from General Revenues.

(2) If the University enters into a Payment Agreement, University Payments shall be made from the Bond Fund. Reciprocal Payments shall be paid directly into the Bond Fund or a separate account therein.

(3) If the foregoing conditions are complied with, the Payment Agreement will lower the net cost of borrowing for the related 2019/2020 Bonds or reduce the University's exposure to fluctuations in interest rates on the related 2019/2020 Bonds. This finding shall be confirmed in a report of the Authorized Representative of the University.

<u>Section 26</u>. <u>Supplemental Resolutions.</u>

(a) *Without Consent of Owners.* The Board, from time to time and at any time, may adopt a resolution or resolutions supplemental to this resolution which supplemental resolution or resolutions thereafter shall become a part of this resolution, for any one or more or all of the following purposes:

(1) to add to the covenants and agreements of the University in this resolution other covenants and agreements thereafter to be observed, which shall not materially adversely affect the interests of the Registered Owners of any Outstanding 2019/2020 Bonds affected by the supplemental resolution, or to surrender any right or power herein reserved to or conferred upon the University;

(2) to make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this resolution or any resolution authorizing Additional Bonds in regard to matters or questions arising under such resolutions as the Board may deem necessary or desirable and not inconsistent with such resolution and which shall not materially adversely affect the interest of the Registered Owners of Outstanding 2019/2020 Bonds.

Any such supplemental resolution of the Board may be adopted without the consent of the owners of any 2019/2020 Bonds at any time outstanding, notwithstanding any of the provisions of subsection (b) of this section.

(b) *With Consent of Owners.* With the consent of the Registered Owners of not less than 51% in aggregate principal amount of all Outstanding 2019/2020 Bonds of a series affected by a supplemental resolution, the Board may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this resolution or of any supplemental resolution provided, however, that no such supplemental resolution shall:

(1) extend the fixed maturity of any Outstanding 2019/2020 Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each 2019/2020 Bond so affected; or

(2) reduce the aforesaid percentage of Registered Owners required to approve any such supplemental resolution, without the consent of the Registered Owners of all of the Outstanding 2019/2020 Bonds affected by the reduction.

It shall not be necessary for the consent of Registered Owners under this subsection (b) to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof. The Reimbursement Agreement may provide rights to the Credit Facility Issuer or Liquidity Facility Issuer to consent to supplemental resolutions on behalf of Registered Owners of Bonds for which it provides credit and liquidity support or in addition to such Registered Owners.

Section 27. Concerning the Registered Owners.

(a) *Form of Consent of Registered Owners.* Any request, direction, consent or other written instrument required by this resolution to be signed or executed by the Registered Owners may be in any number of concurrent written instruments of similar tenor and may be signed or executed by such Registered Owners in person or by an agent or agents duly appointed by a written instrument. Proof of the execution of any such written instrument and of the ownership of the 2019/2020 Bonds shall be sufficient for any purpose of this resolution and shall be conclusive in favor of the University, and/or the Registered Owners with regard to any action taken under such instrument, if made in the following manner:

(1) the fact and date of the execution by any Registered Owner of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments of deeds to be recorded within such jurisdiction, to the effect that the Registered Owner signing such instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness to such execution; and

(2) the ownership of 2019/2020 Bonds shall be proved by the Bond Register maintained by the Registrar.

Nothing contained in this Section 27(a) shall be construed as limiting the University to the proof above specified, it being intended that the University may accept any other evidence of the matters herein stated to which it may seem sufficient.

(b) *Waiver of Form.* Except as otherwise provided herein, any notice or other communication required by this resolution to be given by delivery, publication or otherwise to the Registered Owners or any one or more thereof may be waived, at any time before such notice or communication is so required to be given, by written waivers mailed or delivered to the University by the Registered Owners of all 2019/2020 Bonds of a series or subseries entitled to such notice or communication.

(c) *Revocation; Conclusive Action.* At any time prior to (but not after) the evidencing to the University of the taking of any action by the Registered Owners of the percentage in aggregate principal amount of Outstanding 2019/2020 Bonds of a series or subseries specified in this resolution in connection with such action, any Registered Owner may, by filing written notice with the University, revoke any consent given by such Registered Owner or the predecessor Registered Owner of such 2019/2020 Bond. Except as aforesaid, any such consent given by the Registered Owner of any 2019/2020 Bond shall be conclusive and binding upon such Registered Owner and upon all future Registered Owners of such 2019/2020 Bond and of any 2019/2020 Bond issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such 2019/2020 Bond. Any action taken by the Registered Owners of the percentage in aggregate principal amount of a series or subseries of Outstanding 2019/2020 Bonds specified in this resolution in connection with such action shall be conclusively binding upon the University and the Registered Owners of all Outstanding 2019/2020 Bonds.

Section 28. Determination of Registered Owners' Concurrence.

In determining whether the Registered Owners of the requisite aggregate principal amount of a series or subseries of Outstanding 2019/2020 Bonds have concurred in any demand, request, direction, consent or waiver under this resolution, 2019/2020 Bonds which are owned by or held in the name of the University shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2019/2020 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 28 if the pledgee shall establish to the satisfaction of the University the pledgee's right to vote such 2019/2020 Bonds and that the pledgee is not the University.

Section 29. University Acquisition of 2019/2020 Bonds.

The University may acquire 2019/2020 Bonds by (a) purchase of 2019/2020 Bonds offered to the University at any time and from time to time at such purchase price as the University deems appropriate; or (b) gift at any time and from time to time on terms as the University deems appropriate.

Section 30. Contract-Savings Clause.

The covenants contained in this resolution, the 2019/2020 Bonds and the provisions of the Bond Act shall constitute a contract between the University and the Registered Owners of the 2019/2020 Bonds and shall be construed in accordance with and controlled by the laws of the State. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the University shall be declared by any court of competent jurisdiction and final appeal, if any appeal be taken, to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements in this resolution and shall in no way affect the validity of the other provisions of this resolution or of the 2019/2020 Bonds.

Section 31. No Benefits to Outside Parties.

Nothing in this resolution, express or implied, is intended or shall be construed to confer upon or to give to any person, other than the University, the Registrar, any Credit Facility Issuer, any Liquidity Facility Issuer, or the Registered Owners of Bonds, any right, remedy or claim under or by reason of this resolution; and the covenants, stipulations and agreements in this resolution are and shall be for sole and exclusive benefit of the University, the Registrar, any Credit Facility Issuer, the Liquidity Facility Issuer, and the Registered Owners of Bonds, their successors and assigns.

Section 32. Immediate Effect.

This resolution shall take effect immediately upon its adoption.

Exhibit A

Description of Refunding Candidates

Issuer	Bond Name	Original Principal Amount
State of WA	1998C General Obligation HE-UW (Harborview R&T)	9,420,000
State of WA	1998C General Obligation HE-UW (Ocean Science Building)	8,935,000
State of WA	2010 Certificates of Participation 77 (R-1999 COP 24)	3,415,000
State of WA	2010 Certificates of Participation 78 (R-2001A COP 24b)	1,070,000
State of WA	R-2010B General Obligation UW (R-2001C)	3,610,000
State of WA	2011 Certificates of Participation 87 (R-2001B COP 28)	3,590,000
State of WA	2011 Certificates of Participation 88 (R-2001D COP 35)	2,100,000
State of WA	2011 Certificates of Participation 89 (R-2002A COP 36)	2,915,000
State of WA	2011 Certificates of Participation 90 (R-2002E COP 40)	1,705,000
State of WA	2013 Certificates of Participation 93 (R-2003 COP 41)	1,990,000
State of WA	2013 Certificates of Participation 94 (R-2003 COP 42)	420,000
State of WA	R-2011A General Obligation UW (R-2002A)	25,925,000
State of WA	R-2011A General Obligation UW (R-2002B)	3,915,000
State of WA	R-2011B General Obligation UW (R-2002A)	6,010,000
State of WA	R-2011B General Obligation UW (R-2002B)	2,995,000
State of WA	R-2011B General Obligation UW (R-2003D)	3,980,000
State of WA	R-2011B General Obligation UW (R-2004A)	5,880,000
State of WA	R-2012A General Obligation UW (R-2003D)	1,540,000
State of WA	R-2012A General Obligation UW (R-2004A)	2,900,000
State of WA	R-2012A General Obligation UW (R-2004D)	2,750,000
State of WA	R-2012C General Obligation UW (R-2003D)	1,870,000
State of WA	R-2012C General Obligation UW (2004A)	4,400,000
State of WA	R-2012C General Obligation UW (2004D)	2,475,000
State of WA	R-2015E General Obligation HE-UW (R-2007 GO HE-UW (R-1997E))	260,000
State of WA	R-2016A General Obligation UW (R-2006A)	30,145,000
State of WA	R- 2017A GO HE-UW (R-2010A) (R-1999B))	9,130,000
University	2006 UWT Bank of America Term Loan	3,100,000
University	2009 General Revenue Bonds (Taxable Build America Bonds)	75,835,000
University	2009B General Revenue Bonds (Taxable Build America Bonds)	77,710,000
University	2010A General Revenue Bonds (Tax-Exempt)	20,265,000
University	2010B General Revenue Bonds (Taxable Build America Bonds)	144,740,000
University	2011A General Revenue Bonds	211,370,000
University	2012A General Revenue Bonds (Tax-Exempt)	233,390,000
University	2012B General Revenue Bonds (Taxable)	34,185,000
University	2012C General Revenue Bonds	299,425,000
University	2013 General Revenue Bonds	146,410,000
University	2015A General Revenue and Refunding Bonds (Taxable)	47,715,000
University	2015B General Revenue Refunding Bonds	170,555,000
University	2015C General Revenue Bonds (Tax-Exempt)	159,160,000
University	2015D General Revenue Bonds (Taxable)	36,350,000
University	2016A General Revenue and Refunding Bonds (Tax-Exempt)	195,145,000
University	2016B General Revenue Refunding Bonds (Taxable)	10,015,000
University	2018 General Revenue Bonds	133,785,000
University	2019A General Revenue Bonds	100,000,000
University	2014 FAST Loan - Suzzallo Library Renovation	1,000,000
University	2014 FAST Loan - UWT- Pagni & Lenti Building	500,000
University	2017 FAST Loan -- UW Information Technology	1,566,956.22
University	2018 FAST Loan -- The College of the Environment (Research Vessel)	500,000
University	2018 FAST Loan -- University of Washington Information Technology	4,470,472

WBRF 3	2010B Lease Revenue Bonds WBRF 3 – Build America Bonds	151,745,000
WEDFA	2013 Lease Revenue Refunding Bonds WBRP I	28,995,000
WEDFA	2014A Lease Revenue Refunding Bonds WBRPII (R-2005E & 2006J) (Tax-Exempt)	109,205,000
WEDFA	2015A Lease Revenue Bonds WBRP III (Tax-Exempt)	107,615,000
NW Hospital	4.65% Mortgage Note Payable (OMC Refunding)	9,217,542
University	Da Vinci XI Dual Console System (Taxable capital equipment lease)	2,253,990
NW Hospital	Elekta Synergy Linear Accelerator (Tax-Exempt capital equipment lease)	613,278
NW Hospital	Elektra Synergy Linear Accelerator Upgrade (Tax-Exempt capital equipment lease)	641,762
University	2013 EOL ESCO Smartgrid	1,391,939
University	2013 EOL ICA Scoreboard	3,807,685
University	2014 EQL Primate Center	609,117

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APPENDIX B

AUDITED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2019)

KPMG

UNIVERSITY OF WASHINGTON

Supplementary Information

June 30, 2019 and 2018

(With Independent Auditors’ Report Thereon)

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KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report on Supplementary Information

The Board of Regents
University of Washington:

We have audited the financial statements of the business-type activities and discretely presented component unit of the University of Washington (the University), an agency of the state of Washington, as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated October 25, 2019, which contained unmodified opinions on those financial statements that collectively comprise the University's basic financial statements. Our audit was performed for the purpose of forming opinions on the financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 25, 2019.

The supplementary information included on pages 2 through 4 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, 2019 and 2018, 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, WA
October 25, 2019

UNIVERSITY OF WASHINGTON

Reconciliations of Total University Revenue to General Revenue

Years ended June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
General revenue:			
Total revenue	$	6,634,277	6,425,908
Less:			
State appropriations		378,656	362,267
Grant and contract direct costs		1,207,662	1,196,554
Gifts		165,831	166,721
Revenues of component units		676,205	705,687
Student activities fees and U-Pass fees		46,652	44,907
Student technology fees, student building fees, and student loan funds		78,553	74,728
Trust and endowment income, net unrealized gains on noninvested funds investments, Metropolitan Tract net operating income, component unit investment income, and other restricted investment income		274,178	368,191
Capital appropriations		24,797	26,399
Capital grants, gifts and other		44,260	142,573
Other nonoperating revenues		8,365	4,749
Gifts to permanent endowments		135,484	95,890
Total general revenue	$	3,593,634	3,237,242
General revenue components:			
Student tuition and fees (less student activities fees, U-Pass fees, technology fees, building fees, and loan funds)	$	939,245	882,236
Grant and contract indirect costs		269,649	263,865
Invested funds distribution and net invested funds unrealized gains and losses (note 2)		65,700	36,221
Sales and services of educational departments		260,176	242,886
Patient services		1,475,975	1,331,023
Auxiliary systems		466,231	383,503
Other operating revenues		116,658	97,508
Total general revenue	$	3,593,634	3,237,242

See accompanying notes to supplementary information.

UNIVERSITY OF WASHINGTON

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

June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Total University unrestricted net position per financial statements	$	(980,736)	(1,237,656)
Less:			
Student and activities fees		24,648	25,625
Net position (deficit) of component units:			
Association of University Physicians		152,606	145,250
UW Neighborhood Clinics		(1,933)	(2,243)
Northwest Hospital		(90,862)	(53,077)
Real estate entities		(3,757)	(9,582)
Total to be excluded, net		80,702	105,973
General net position, including pensions and other post-employment benefits (OPEB)		(1,061,438)	(1,343,629)
Impact of GASB 68 – Pensions		584,284	706,142
Impact of GASB 75 – OPEB		1,817,162	1,763,597
General net position, excluding GASB 68 pensions and OPEB *	$	1,340,008	1,126,110

* There are other noncash adjustments to Unrestricted Net Position not shown here

See accompanying notes to supplementary information.

(1) Basis of Presentation

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

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

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

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

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

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

As of June 30, 2019 and 2018, Unrestricted Net Position reflects a deficit due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* during fiscal year 2015, and the implementation of GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) during fiscal year 2018. These Statements require the University to record its proportionate share of the state of Washington's actuarially determined liabilities for pensions and OPEB. The University's Unrestricted Net Position, excluding the impacts of GASB Statements No. 68 and 75, is reflected on the Reconciliations of Total University of Washington Unrestricted Net Position to General Net Position.

(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.

2019 FINANCIAL REPORT

UNIVERSITY *of* WASHINGTON

Table of Contents

University Facts

	FISCAL YEAR 2019 Academic Year 2018–2019	FISCAL YEAR 2014 Academic Year 2013–2014	FISCAL YEAR 2009 Academic Year 2008–2009
STUDENTS			
Autumn Enrollment (headcount)			
Undergraduate	42,578	37,895	34,076
Graduate	14,498	13,177	11,453
Professional	2,176	2,000	1,847
TOTAL	**59,252**	**53,072**	**47,376**
Professional and Continuing Education – Course and Conference Registrations	81,361	75,412	62,447
Number of Degrees Awarded			
Bachelor's	11,761	9,921	8,458
Master's	4,687	3,925	2,988
Doctoral	915	762	686
Professional	565	563	495
TOTAL	**17,928**	**15,171**	**12,627**
FACULTY [1]	4,369	4,494	4,101
FACULTY AND STAFF [2]	31,439	26,538	24,808
RESEARCH FUNDING – ALL SOURCES *(in thousands of dollars)*	$ 1,579,056	$1,385,743	$ 1,146,135
SELECTED REVENUES *(in thousands of dollars)*			
Net Patient Service and Other Medical-Related Revenues	$ 2,933,682	$ 2,042,029	$ 1,035,731
Gifts, Grants and Contracts	1,643,142	1,439,932	1,149,083
Tuition and Fees [4]	1,052,222	838,796	458,061
Auxiliary Enterprises and Other Revenues	751,650	556,191	323,632
State Appropriations (Operating)	378,656	262,146	384,810
Investment Income (Loss)	339,878	480,645	(469,492)
SELECTED EXPENSES *(in thousands of dollars)*			
Medical-Related [3]	$ 2,457,318	$ 1,831,649	$ 778,583
Instruction, Academic Support, and Student Services	2,070,077	1,515,435	1,278,455
Institutional Support and Physical Plant	849,930	733,194	527,998
Research and Public Service	814,717	807,863	673,322
Auxiliary Enterprises	553,511	285,561	170,602
CONSOLIDATED ENDOWMENT FUND [5] *(in thousands of dollars)*	$ 3,588,000	$ 2,833,000	$ 1,649,000
SQUARE FOOTAGE [6] *(in thousands of square feet)*	27,327	21,836	18,036

1 Prior to 2018, this number represents headcount for core faculty (Professorial, Instructional and Research). Starting in 2018, this number represents full time faculty from all campuses including the Medical Centers.
2 Full time equivalents – restated (historically) using centralized data source and enterprise definitions
3 Includes Valley Medical Center and Northwest Hospital in 2019 and 2014 only
4 Net of scholarship allowances of $159.4 million in 2019, $139.8 million in 2014 and $82.8 million in 2009
5 Stated at fair value
6 Gross square footage, all campuses

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Regents
University of Washington:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of Washington (the University), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University'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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University of Washington as of June 30, 2019 and 2018, 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.

KPMG

Emphasis of Matters

As discussed in note 1 to the financial statements, the financial statements of the University of Washington, an agency of the state of Washington, are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only the respective portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the state of Washington that are attributable to the transactions of the University of Washington and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2019 and 2018, the changes in its financial position or, where applicable, its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 1 to the financial statements, on July 1, 2017, the University adopted new accounting guidance requiring governments providing postemployment benefits other than pensions (OPEB) to employees of state and local government employers to recognize the OPEB liability, as well as recognize most changes in the OPEB liability within benefits expense. Our opinion is not modified with respect to this matter.

As discussed in note 1 to the financial statements, on July 1, 2017, the University adopted new accounting guidance requiring governments receiving irrevocable split-interest agreements to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 15, and the schedules of required supplementary information on pages 54 through 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

KPMG LLP

Seattle, Washington
October 25, 2019

MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND 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, 2019 and 2018, with comparative financial information for 2017. 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 2019

The University recorded an increase in net position of $481 million in 2019. This was very similar to the increase of $490 million recorded in 2018. A decrease in the University's operating loss of $108 million in 2019 was mostly offset by similar decreases in revenue from nonoperating sources. The increase in net position for 2018 was offset by a $1.7 billion net position restatement due to the implementation of GASB Statement No. 75, resulting in a total net decrease of $1.2 billion for the year. GASB Statement No. 75 changed the way the University reflects costs associated with other post-employment benefits (OPEB).

Key Financial Results for Fiscal Years 2019, 2018 and 2017

(in millions)	2019	2018	2017
Total operating revenues	$ 5,485	$ 5,172	$ 4,893
Total operating expenses	6,064	5,859	5,666
Operating loss	(579)	(687)	(773)
State appropriations	379	362	342
Gifts	166	167	166
Investment income	340	404	442
Other nonoperating revenues, net	175	244	185
Increase in net position	481	490	362
Net position, beginning of year	5,097	6,267	6,053
Cumulative effect of accounting changes (described below):			
GASB 73 – UW Supplemental Retirement pension	–	–	(215)
GASB 75 – Other post-employment benefits	–	(1,660)	–
GASB 81 – Split interest agreements	–	–	67
Net position, beginning of year as restated	5,097	4,607	5,905
Net position, end of year	**$ 5,578**	**$ 5,097**	**$ 6,267**

Operating Revenues

Operating revenues increased $313 million, or 6%, in 2019 driven primarily by increases in revenue from patient services and student tuition. Net patient services revenue increased $127 million, or 6%, due to strong volumes and improved commercial payer mix. Revenue from student tuition and fees increased $62 million, or 6%, as a result of operating fee increases together with growing student enrollment. Revenue generated from student housing and food services grew $22 million, or 16%, in 2019 reflecting an increase in rentable bed space and associated food sales from three new residence halls that were placed in service during the past two fiscal years. Additionally, revenue from other auxiliary sources increased $57 million in 2019, primarily representing fees collected from Harborview Medical Center to reimburse the University for the cost of strategic projects and shared operational departments which were moved into a shared service model during the year.

Operating Expenses

Operating expenses increased $205 million, or 4%, in 2019. An increase in costs associated with employee salaries of $143 million, primarily due to merit increases and a 1% increase in University FTE's, was partially offset by a $71 million decrease in the cost of employee benefits, primarily due to favorable changes in the actuarial assumptions used to calculate pension and OPEB expense. Also contributing to higher operating expenses was an increase in the cost of supplies and materials of $43 million primarily pertaining to patient services, an increase of $40 million in the cost of purchased services, such as consulting and contract labor, and an increase of $49 million in other operating expenses, such as rent expense and claims costs associated with the University's self-insurance program.

Nonoperating Revenues

Revenues from nonoperating and other sources, net of interest on capital related debt, decreased $117 million, or 10%, in 2019 primarily due to a decrease in investment income of $65 million and a decrease in capital gifts of $106 million. The decrease in capital gifts is primarily the result of an $85 million capital gift received in 2018 from the Bill & Melinda Gates Foundation for the University's Population Health Initiative. The 2019 decreases were partially offset by a $40 million increase in gifts to permanent endowments.

Changes in Accounting Standards

The University implemented GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" during fiscal year 2017. This statement changed how the University reports its obligation for retiree benefits associated with the University of Washington Supplemental Retirement Plan (UWSRP). With the adoption of GASB Statement No. 73, unrestricted net position was restated at July 1, 2016 by a decrease of $215 million for the difference between the beginning total pension liability and the amount previously reported as the UWSRP pension liability.

The University implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB) during fiscal year 2018. As a result of implementing Statement No. 75, the University recognized its proportionate share of the state of Washington's actuarially determined total OPEB liability, deferred inflows of resources and deferred outflows of resources, and OPEB expense. Prior to adopting this Statement the University's financial statements did not reflect any OPEB liability or associated deferred inflows or outflows, and reported OPEB expense based on cash contributions paid to the OPEB plan administrator. In addition to the reporting changes described above, unrestricted net position was restated at July 1, 2017 by a decrease of $1.7 billion. Financial results for fiscal years 2018 and 2019 reflect application of the accounting changes required by Statement No. 75, but those changes were not applied to fiscal year 2017 results due to the constraints of available information from the Washington State Office of the State Actuary.

The University also implemented GASB Statement No. 81, "Irrevocable Split-Interest Agreements" during fiscal year 2018. This Statement changed the way that governments reflect resources received pursuant to irrevocable split-interest agreements, both at inception and throughout the life of the associated contract. Specifically, where the University has a remainder interest in a trust that is also managed by the University, revenues are no longer recognized when the asset is acquired and upon periodic revaluation, but are instead recorded as a deferred inflow of resources and recognized at termination of the contract. This change resulted in the restatement of July 1, 2016 restricted nonexpendable net position together with an increase in deferred inflows. Additionally, where the University has a lead interest in a trust that is not managed by the University, revenues are now recognized both when the asset is received or communicated to the University, and upon periodic revaluation. These events were previously not reflected in the financial statements of the University. This change also resulted in the restatement of July 1, 2016 restricted nonexpendable net position, together with an increase in investments. The net impact of implementing these accounting changes was an increase in beginning restricted nonexpendable net position of $67 million. All fiscal years presented in this management's discussion and analysis reflect application of the accounting changes required by Statement No. 81. This is different than the Basic Financial Statements following this section, which reflect these restatements applied as of July 1, 2017.

The University implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" during fiscal year 2019. An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments that have legal obligations to perform future tangible asset retirement activities are now required to recognize a liability and offsetting deferred outflow of resources when these costs are incurred and are reasonably estimable. The basis of the estimate is the current value of the future outlays expected to be incurred, and is adjusted annually for inflation and any changes in relevant factors. The deferral is recognized as expense in a systematic and rational manner over the life of the tangible capital asset. The liability is extinguished as retirement costs are paid. The University's 2015 Decommissioning Funding Plan, prepared in accordance with Washington Administrative Code 246-235-075, estimated disposal and clean-up costs related to all radioactive materials used for research, clinical applications, and education and was used as the basis for recording the initial ARO liability. Prior to adopting this Statement, the University's financial statements did not reflect any ARO liability or associated deferred outflow, and reported costs associated with these retirement activities as expense at the time of asset disposal. Implementation of this Statement resulted in the recognition of a liability of $8 million, deferred outflow of $4 million and amortization expense of $4 million in fiscal year 2019.

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 our 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, 2019 and 2018). 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, 2019 and 2018). 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, 2019 and 2018). Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.
- 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; therefore, its financial position at June 30, 2019 and 2018, and results of operations for the fiscal years ended June 30, 2019 and 2018, are reported in a separate column for financial statement presentation purposes (see Note 1 to the Financial Statements). The analysis that follows includes the consolidated balances of the University of Washington and its blended component units, but excludes the financial position and results of operations of Valley Medical Center.

Financial Health

STATEMENTS OF NET POSITION

A summarized comparison of the University's assets, liabilities, deferrals and net position as of June 30, 2019, 2018 and 2017 is shown below:

Summarized Statements of Net Position

(in millions)	2019	2018	2017
Current assets	$ 1,574	$ 1,486	$ 1,427
Noncurrent assets:			
Capital assets, net	4,935	4,980	4,737
Investments, net of current portion	5,375	5,105	4,834
Other	525	481	454
Total assets	12,409	12,052	11,452
Deferred outflows	414	244	269
Total assets and deferred outflows	12,823	12,296	11,721
Current liabilities	1,166	1,267	1,315
Noncurrent liabilities:			
Bonds payable	2,353	2,334	2,275
Pensions and OPEB	2,498	2,750	1,422
Other	335	332	287
Total liabilities	6,352	6,683	5,299
Deferred inflows	893	516	155
Total liabilities and deferred inflows	7,245	7,199	5,454
Net position	**$ 5,578**	**$ 5,097**	**$ 6,267**

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 debt.

The excess of current assets over current liabilities of $408 million in 2019, and $219 million in 2018, reflects the continuing ability of the University to meet its short-term obligations. Current assets increased $88 million, or 6%, in 2019 due to an increase in accounts receivable of $60 million, driven by patient receivables and pending investment sales, and an increase of $64 million in short-term investments. These amounts were partially offset by a $59 million decrease in cash and cash equivalents. Current assets increased $59 million, or 4%, in 2018 mostly due to an $80 million increase in cash and cash equivalents, partially offset by a $33 million decrease in short-term investments. Current liabilities decreased $101 million, or 8%, in 2019 driven by a $65 million decrease in commercial paper debt together with a $33 million decrease in other operating and vendor payables. Current liabilities decreased $48 million, or 4%, in 2018 due in part to an $87 million decrease in the accrual for investment purchases, a $16 million decrease in the current portion of Revenue Bonds Payable, and a $10 million decrease in the current portion of the self-insurance reserve. These amounts were partly offset by a $23 million increase in commercial paper debt.

Noncurrent assets increased $269 million, or 3%, in 2019 primarily due to an increase in the market value of the University's long-term investments. Noncurrent assets increased $541 million, or 5%, in 2018 driven by an increase in long-term investments of $271 million, and an increase in capital assets of $243 million.

Noncurrent liabilities decreased $230 million, or 4%, in 2019 primarily due to changes in the University's pension and OPEB liabilities. The net pension liability pertaining to the University's proportionate share of the pension plans administered by the Washington Department of Retirement Systems (DRS) decreased $223 million as a result of better than expected investment returns on pension plan assets and a decrease in the University's proportionate share of the statewide PERS 1 liability. The pension liability pertaining to the UWSRP increased $182 million due to lower than expected investment returns on the model portfolio used to calculate retiree benefit eligibility, an unfavorable change to the actuarial assumption regarding the discount rate, and salary growth that was higher than expected. The OPEB liability decreased $211 million due primarily to a reduction in the actuarial assumptions surrounding future healthcare cost trends. Noncurrent liabilities increased $1.4 billion, or 36%, in 2018 primarily due to the initial implementation of GASB Statement No. 75. The ending OPEB liability, recognized for the first time in 2018 due to the requirements of Statement No. 75, was $1.6 billion. In addition, the long-term portion of bonds payable increased $59 million in 2018 due to the net increase in general revenue bonds outstanding. These amounts were partially offset by a $238 million decrease in the University's pension liabilities, primarily those pertaining to the plans administered by the DRS.

Deferred outflows of resources and deferred inflows of resources primarily represent pension and OPEB-related deferrals, and the University's remainder interest in split-interest agreements. The increase in deferred outflows of $170 million, or 70%, in 2019 primarily pertains to the UWSRP and OPEB plans. UWSRP deferred outflows increased $141 million due to the impact of changes in actuarial assumptions regarding the discount rate and investment performance, and differences between expected and actual experience when calculating the plan's ending liability, primarily regarding salary growth. The University's share of OPEB deferred outflows increased $47 million, also due to differences between expected and actual experience. The decrease in deferred outflows of $25 million, or 9%, in 2018 primarily reflected the University's proportionate share of a decrease in the state-wide amounts reported by the DRS due to differences between projected and actual investment earnings on pension plan assets, offset by the first-time deferral of $25 million representing post-measurement date OPEB contributions associated with the implementation of GASB Statement No. 75.

Deferred inflows increased $377 million, or 73%, in 2019. The University's share of deferred inflows associated with the DRS plans increased $83 million due to the impact of changes in actuarial assumptions, and differences between expected and actual experience when calculating the ending liabilities. OPEB deferred inflows increased $312 million, primarily due to changes in actuarial assumptions pertaining to future medical cost trends. The increase in deferred inflows in 2018 included the impact of the University's corresponding proportionate share of an increase in the state-wide difference between projected and actual earnings on pension plan assets. This was accompanied by the first-time deferral of $216 million representing the University's proportionate share of state-wide deferred inflows related to changes in actuarial assumptions used in the 2018 OPEB valuation.

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.

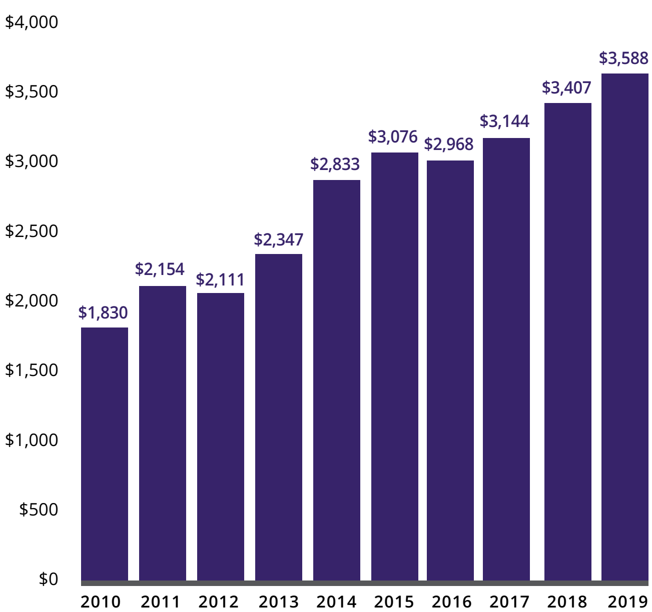
The University of Washington Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the Chief Investment Officer, carries out the day-to-day 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. As in 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 10 years due to endowment gifts and investment returns. The number of individual endowments in the CEF has grown significantly, from 3,334 at June 30, 2010 to 5,079 at June 30, 2019. The market value of the CEF has similarly increased, from $1.8 billion at June 30, 2010 to $3.6 billion at June 30, 2019.

Consolidated Endowment Fund Market Value

(in millions)



The impact to program support has been substantial with $984 million distributed over the past 10 years, touching every part of the University. Programs supported by endowment returns include academic programs, scholarships, fellowships, professorships, chairs and research activities. Under the Board of Regents' approved long-term spending policy for the CEF, quarterly distributions to programs in fiscal year 2019 were made based on an annual percentage rate of 4%, applied to the five-year rolling average of the CEF's market valuation. An additional 1% is distributed to support fundraising and stewardship activities (0.80%) and investment management (0.20%). Similar to program distributions, the fees are based on the endowment's five-year average market value.

Endowment portfolios are commonly managed around a core set of objectives focused on the need to provide support for endowed programs in perpetuity. The Board of Regents, in conjunction with the UWINCO Board, establishes the policy asset allocation judged to be most appropriate for the University from a long-term potential return and risk perspective. The policy asset allocation is reviewed annually for its continuing fit with the University's risk profile and with consideration of the changing dynamics of the capital markets.

The CEF asset allocation is divided into two clearly defined categories of investments: those which facilitate growth or appreciation (Capital Appreciation), and those which preserve endowment values (Capital Preservation). At June 30, 2019, 71% of the CEF was invested in Capital Appreciation and 29% in Capital Preservation. Following an expectation that market returns for equities will exceed bonds over the next decade, a medium-term objective is maintained of generally overweighting equity-oriented strategies with a focus on quality companies and downside protection. The University also maintains ample liquidity within Capital Preservation to meet its funding requirements, as well as to take advantage of market dislocations if opportunities arise.

For the fiscal year ending June 30, 2019, the CEF returned +5.8% versus +6.2% for the passive benchmark. The CEF's Private Equity strategy led absolute returns this year. The CEF's Capital Appreciation portfolio outperformed its passive benchmark, while Capital Preservation substantially underperformed its passive benchmark due to the sharp decrease in government bond yields.

A portion of the University's operating funds are invested in the CEF. As of June 30, 2019, these funds comprise $649 million of the CEF market value.

Capital Improvements

The University continues to expand its campuses 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 2019 included $62 million for the Population Health Facility, and $26 million for the UW Medicine clinical transformation program ("Destination: One").

Key projects placed in service during fiscal year 2019 include:

- Life Sciences Building – $174 million. This five-floor, 169,000 square foot building was constructed with sufficient laboratory and office space to allow the Department of Biology to expand its faculty size in order to address a significant increase in undergraduate student demand. The building has approximately 20 research labs, associated offices and conference spaces, 3 undergraduate research/teaching laboratories, growth chambers and imaging facilities.

- Washington Biomedical Research Properties 3.2 – $133 million. This new building provides approximately 165,000 square feet of biomedical research facilities, with a primary care clinic, diabetes clinic, an ophthalmology clinic focused on retinal diseases, and associated clinical research space. Research activities are expected to include new programs, and the expansion of existing programs, including microbiology, global health, kidney research, immunology, biomedical informatics, neurosciences, protein design, and gastrointestinal and behavioral assays.
- Bill & Melinda Gates Center for Computer Science & Engineering (Gates Center) - $107 million. The Gates Center contains classroom, office and collaborative spaces, expanded research labs, a 250-seat auditorium, and a flexible event space. The facility will enable the Paul G. Allen School of Computer Science & Engineering to double its annual degree production. It includes a Maker Space, an undergraduate commons, a wet lab for research in molecular information systems, a 3,000 square foot robotics lab, workrooms for the interdisciplinary computer animation capstone, and interview rooms where industry representatives can meet with students.
- McCarty Hall – $95 million, and Madrona Hall – $53 million. Phase 4a of the Housing Master Plan included demolition of the existing McCarty Hall and construction of a new McCarty Hall along with Madrona and Willow Halls. Willow Hall was available for occupancy in June 2018, whereas McCarty and Madrona Halls opened in September 2018. McCarty Hall has over 330 student rooms, all including private baths, and is home to The MILL which is a state-of-the-art Maker Space and wet lab. Madrona Hall has over 220 student rooms, and is home to the Learning Resource Center which offers students study rooms and lecture halls, as well as providing office space.

Debt

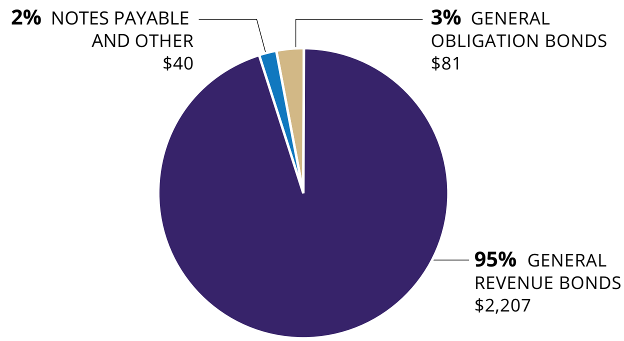
The University's Debt Policy governs the type and amount of debt the University may incur. The Debt Policy is designed to maintain access to capital markets and to minimize the risk-adjusted cost of capital.

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, 2019, the University had $2.3 billion of bonds and notes payable outstanding, an increase of 1% from June 30, 2018. Debt outstanding on the Metropolitan Tract is not included in these amounts (see Note 7).

In February 2019, the University issued $100 million of tax-exempt General Revenue bonds with an all-in true interest cost of 6.73%. Proceeds were used to fund construction of various facilities including Housing and Food Services residence halls (Phase 4a), the Northwest Hospital Childbirth Center, the Intercollegiate Athletics Ballpark, and the Life Sciences Building.

Bonds and Notes Payable

(in millions)



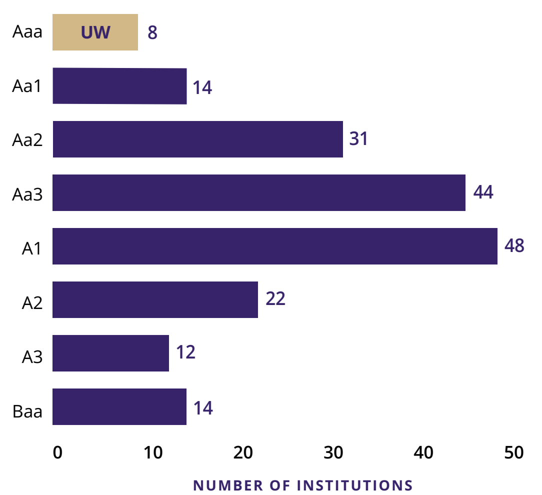
The University has a $250 million commercial paper program, which is typically used to fund project expenditures until long-term funding is secured. As of June 30, 2019, there was $25 million in commercial paper outstanding.

The Board of Regents typically authorizes the long-term debt (excluding commercial paper) issuance on a fiscal year basis, and for fiscal year 2020 has authorized $102 million. Any increase would require additional approval by the Board.

During fiscal year 2019, both Moody's (Aaa, Negative Watch) and Standard and Poor's (AA+, Stable) reaffirmed the University's credit ratings. These ratings carry substantial advantages for the University: continued and wider access to capital markets, lower interest rates on bonds, and the ability to negotiate favorable bond terms. The University's short-term credit ratings were also affirmed at P-1 (Moody's) and A-1+ (Standard and Poor's).

Moody's Fiscal Year 2018
Public College and University Rating Distribution

(As of the June 2019 Moody's Median Report)



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 which 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, 2019, 2018 and 2017 is summarized as follows:

Categories of Net Position

(in millions)	2019	2018	2017
Net investment in capital assets	$ 2,489	$ 2,484	$ 2,455
Restricted:			
Nonexpendable	1,878	1,722	1,603
Expendable	2,192	2,129	1,859
Unrestricted	(981)	(1,238)	350
Total net position	**$ 5,578**	**$ 5,097**	**$ 6,267**

Net investment in capital assets was largely unchanged in 2019. This balance typically increases as debt is paid off, 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 small increase in 2019 reflects a nearly equal decrease in both the carrying value of net capital assets, and the outstanding balance of capital asset-related debt. This category of net position increased $29 million, or 1%, in 2018, representing greater additions to net capital assets during 2018 than the associated increase in capital asset-related debt. This was a result of continued capital spend on previously approved projects combined with a reduced pace for new debt issuances.

Restricted nonexpendable net position increased $156 million, or 9%, in 2019 primarily as a result of receiving $135 million in new endowment gifts during the year. This category of net position increased $119 million, or 7%, in 2018 due to receiving $96 million of new endowment gifts, together with an increase in the market value of underwater endowment investments.

Restricted expendable net position increased $63 million, or 3%, in 2019. This category is primarily affected by new operating and capital gifts, and earnings or losses on restricted investments, including endowments. Unrealized and realized gains in the market value of the CEF contributed $31 million to the increase for the year, with the remainder being comprised of the excess of new operating and capital gifts compared to spending of gifts received in prior years. This category of net position increased $270 million, or 15%, in 2018. Unrealized gains of $219 million were the primary reason for the increase in 2018, partially offset by $77 million of realized losses. Additionally, unspent capital gifts increased $73 million in 2018 as a result of gifts received from the Bill & Melinda Gates Foundation for the University's Population Health Initiative.

Unrestricted net position increased $257 million, or 21%, in 2019. Operating losses associated with unrestricted activities were $358 million and interest expense on capital asset related debt was $89 million. These amounts were more than offset by state operating appropriations of $379 million and investment income related to unrestricted investments of $294 million. These results are an improvement over the prior year, primarily due to the $108 million decrease in operating loss resulting, in part, from the reduction in the University's proportionate share of statewide OPEB expense, and the $81 million increase in investment income on unrestricted investments. This category of net position decreased $1.6 billion in 2018, primarily due to the impact of restating fiscal year 2018 beginning net position as a result of implementing GASB Statement No. 75. The change in accounting treatment required by Statement No. 75 reduced fiscal year 2018 beginning unrestricted net position by $1.7 billion. Excluding the impact of this accounting change, unrestricted net position increased $72 million, or 21%, in 2018. Operating losses associated with unrestricted activities were $435 million and interest expense on capital asset-related debt was $77 million. These amounts were more than offset by $362 million of state operating appropriations, and $213 million of investment income on unrestricted investments.

As of June 30, 2019, Unrestricted Net Position reflects a deficit of $981 million due to implementation of GASB Statement No. 68 (pensions) during fiscal year 2015, and the implementation of Statement No. 75 (OPEB) during fiscal year 2018. These statements require the University to record its proportionate share of the state of Washington's actuarially determined liabilities for pension and OPEB. As a result of these implementations, Unrestricted Net Position is negative despite historically positive operating results.

The University's Unrestricted Net Position, excluding the impacts from Statement No's 68 and 75, is as follows:

Unrestricted Net Position Excluding Pensions and OPEB

(in millions)	2019	2018	2017
Unrestricted net position, as reported	$ (981)	$ (1,238)	$ 350
Impact of GASB 68 - Pensions	584	706	762
Impact of GASB 75 - OPEB	1,817	1,764	–
Unrestricted net position, excluding pensions and OPEB	**$ 1,420**	**$ 1,232**	**$ 1,112**

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. A condensed comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2019, 2018 and 2017 follows:

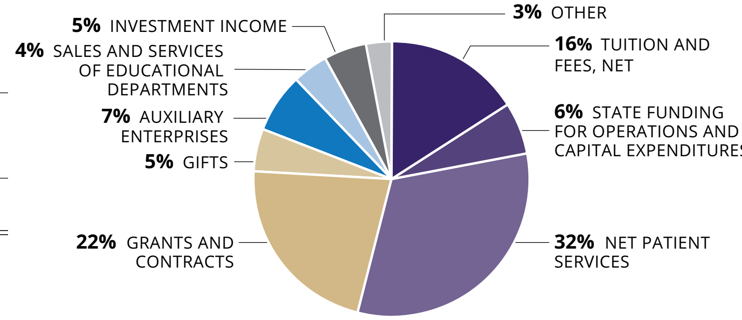
Operating Results

(in millions)	2019	2018	2017
Tuition and fees, net	$ 1,052	$ 990	$ 942
Net patient services	2,136	2,008	1,869
Grants and contracts	1,426	1,409	1,359
Other operating revenues	871	765	723
Total operating revenues	5,485	5,172	4,893
Salaries and benefits	3,732	3,661	3,519
Other Operating Expenses	2,332	2,198	2,147
Operating Loss	**(579)**	**(687)**	**(773)**
State appropriations	379	362	342
Gifts	166	167	166
Investment income	340	404	442
Other nonoperating revenues	264	321	262
Interest on capital asset-related debt	(89)	(77)	(77)
Increase in Net Position	**$ 481**	**$ 490**	**$ 362**

The University's operating loss decreased to $579 million in 2019, from $687 million in 2018. State appropriations are shown as nonoperating revenue, pursuant to GASB standards. If state appropriations were classified as operating revenue, the operating loss would have been $200 million in 2019, and $325 million in 2018.

The University has a diversified revenue base. No single source generated more than 32% of the total fiscal year 2019 revenues of $6.6 billion.

Sources of Funds



The following table summarizes revenues from all sources for the years ended June 30, 2019, 2018 and 2017:

Revenues from All Sources

(in millions)	2019		2018		2017	
Net patient services	$ 2,136	32%	$ 2,008	31%	$1,869	31%
Grants and contracts	1,492	22%	1,468	23%	1,422	23%
Tuition and fees, net	1,052	16%	990	15%	942	15%
Auxiliary enterprises	483	7%	403	6%	374	6%
State funding for operations	379	6%	362	6%	342	6%
Investment income	340	5%	404	6%	442	7%
Gifts	331	5%	398	6%	289	5%
Sales and services of educational departments	260	4%	243	4%	217	4%
State funding for capital projects	25	0%	26	0%	64	1%
Other	136	3%	124	3%	144	2%
Total revenue – all sources	**$ 6,634**	**100%**	**$ 6,426**	**100%**	**$6,105**	**100%**

Patient Services–UW Medicine

The financial statements of the University include the operations of the School of Medicine (SOM), three hospitals, associated physician group and clinics, Airlift Northwest, and the University's share of two joint ventures. These entities, together with Harborview Medical Center (not included in the University's financial statements – see Note 14) 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 also strives to facilitate the education of physicians and other health care providers, support research activities in collaboration with the SOM 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.

Unaudited – see accompanying notes to financial statements

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

UW Medical Center (UWMC) is a 529-bed hospital 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. Approximately 19,000 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 321-bed acute care hospital and network of clinics that treats over 18,000 inpatients per year, and is the oldest and largest public hospital district in the state of Washington. VMC joined UW Medicine in July, 2011. VMC's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position are presented in a discrete column on the financial statements of the University.

Northwest Hospital & Medical Center (NWH) is a full-service medical facility with 281 beds, and treats approximately 10,000 inpatients per year. NWH joined UW Medicine in January, 2010. Specialized patient needs are met by the Stroke Center, Multiple Sclerosis Center, and other inpatient and outpatient services to the surrounding community.

UW Neighborhood Clinics (Neighborhood Clinics) is a network of clinics with 15 neighborhood locations throughout the greater Puget Sound area, providing primary, urgent and selected specialty care with a staff of 120 healthcare providers.

UW Physicians (UWP) is the physician practice group for more than 2,200 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 two joint ventures: Seattle Cancer Care Alliance and Children's University Medical Group. 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, UW Medicine Contracting, and the University of Washington Consolidated Laundry.

In combination, these organizations (not including VMC) contributed $2.1 billion in net patient services revenue in fiscal year 2019 and $2.0 billion in fiscal year 2018. UWMC generated 62% of this revenue in 2019 and 59% in 2018. UWMC admissions were 18,948 in 2019, a decrease of 2% from the prior year. Admissions were 19,350 in 2018, which was a 2% increase from the prior year. Despite the 2019 decrease, patient services revenue increased during the year primarily due to strong volumes in surgery cases, solid organ transplants, pharmacy and cardiology, as well as a stronger commercial payer mix than the prior year. The increase in net patient services revenue during 2018 was primarily due to strong volumes in inpatient stays, surgery cases, cardiology, pharmacy and solid organ transplants.

Grant and Contract Revenue

One of the largest sources of revenue (22%) 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 $24 million in 2019, compared to an increase of $46 million in 2018.

Federal grant and contract revenue decreased $7 million, or 1%, in 2019 due primarily to two large projects that ended part way through the current fiscal year. Refurbishing work on the R/V Thomas G. Thompson research vessel to extend the vessel's useful life another 20 to 25 years was completed in September, 2018. The University also completed a major genome sequencing contract in the first half of the current fiscal year. Federal grant and contract revenue increased $23 million, or 2%, in 2018 primarily driven by genome sequencing and HIV clinical service delivery projects within the National Institutes of Health and the Centers for Disease Control and Prevention.

State and local grant and contract revenue increased $13 million, or 12%, in 2019 primarily due to the Washington State Need Grant, which increased $9 million as a result of increased support from the state legislature as well as a higher number of eligible students. State and local grant and contract revenue increased $10 million, or 10%, in 2018 largely due to a $9 million contract with the Washington State Department of Early Learning to implement a regional evaluation system, offer high-quality professional development opportunities to early learning professionals, and implement evidence-based curriculum training.

Nongovernmental grant and contract revenue increased $10 million, or 4%, in 2019. Contributing to this growth was a 20% boost in clinical trial activity within the School of Medicine, as well as increased spending related to a $10 million, four-year grant from the Paul Allen Family Foundation to create the Allen Discovery Center for Cell Lineage Tracing. The Center will focus on developing the first global maps of cell lineage in complex organisms, which will help to advance research in disciplines such as developmental biology, neuroscience, cancer biology and regenerative medicine. Nongovernmental grant and contract revenue increased $18 million, or 7%, in 2018 primarily due to The Bill & Melinda Gates Foundation's continued support of the University's Institute for Health Metrics and Evaluation.

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

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

Facility and administrative expenses necessary to support grants and contracts are reimbursed by sponsors, along with direct costs, by an indirect cost recovery. The 2019 and 2018 indirect cost recovery rate for research grants was approximately 30 cents on every direct expenditure dollar.

Primary Nongrant Funding Sources

The University relies primarily on student tuition and fees and state appropriations as revenue sources to support its nongrant-funded educational operating expenses. State support for education has increased during the last few fiscal years, but is still significantly below historical levels.

Operating Support for Instruction

(in millions)	2019		2018		2017	
Operating tuition and fees	$ 716	50%	$ 675	50%	$ 639	50%
Fees for self-sustaining educational programs	336	24%	315	23%	303	23%
Subtotal - tuition and fees	1,052	74%	990	73%	942	73%
State operating appropriations	379	26%	362	27%	342	27%
Total educational support	**$ 1,431**	**100%**	**$1,352**	**100%**	**$1,284**	**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 for operating purposes.

Revenue from tuition and fees, net of scholarship allowances, increased $62 million in 2019, compared to an increase of $48 million in 2018. The increases for both years were partially due to the state allowing a 2.2% operating fee increase in resident undergraduate tuition. Other tuition categories also contributed to these increases. Nonresident undergraduate operating fees increased 3% in 2019, most graduate and professional operating fees increased 2%, and other program rates increased 0-10%.

Most fee-based program rates increased 0-10%. These fee increases were consistent with those implemented during 2018. Revenue growth for both years was also partly due to increases in student enrollment. Full-time equivalent (FTE) enrollment in 2019 in undergraduate tuition-and fee-based programs increased 0.4% in the resident student category, and by 5.2% in the nonresident student category. FTE enrollment in graduate and professional tuition- and fee-based programs increased 2.7% in the resident student category and by 3.7% in the nonresident student category. In 2018 FTE enrollment in undergraduate tuition-and fee-based programs increased 1.5% in the resident student category, and by 2.9% in the nonresident student category. FTE enrollment in graduate and professional tuition- and fee-based programs increased 0.7% in the resident student category and by 3.1% in the nonresident student category.

Gifts, Endowments and Investment Revenues

Net investment income for the years ended June 30, 2019, 2018 and 2017 consisted of the following:

Net Investment Income

(in millions)	2019	2018	2017
Interest and dividends, net	$ 72	$ 72	$ 68
Metropolitan Tract net income	26	16	23
Seattle Cancer Care Alliance change in equity	24	17	15
Realized Gains	169	62	48
Unrealized Gains	49	237	288
Net investment income	**$ 340**	**$ 404**	**$ 442**

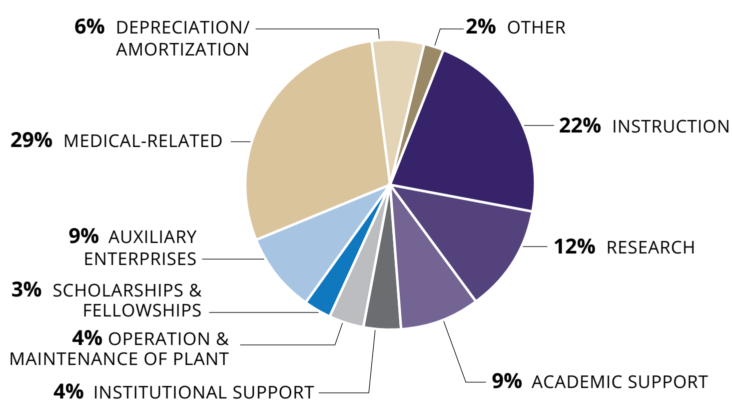
Net investment income decreased $64 million, or 16%, in 2019 compared to a decrease of $38 million, or 9%, in 2018. Increases in realized gains were more than offset by decreases in unrealized gains in both years. Returns on the CEF were +13.6% in fiscal year 2017, but decreased to +9.6% in 2018 and +5.8% in 2019.

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 in 2019 were largely unchanged from 2018. Capital gifts decreased $106 million in 2019, after a similar increase in 2018 that was driven by $85 million in support received from the Bill & Melinda Gates Foundation to benefit the University's Population Health Initiative. Gifts to permanent endowments increased $40 million in 2019, compared to an increase of $10 million in 2018.

Expenses

Two primary functions of the University, instruction and research, comprised 34% of total operating expenses in 2019. These dollars provided instruction to over 69,000 students and funded nearly 5,500 research awards. Medical-related expenses, such as those related to patient care, also continue to be one of the largest individual components, accounting for 29% of the University's total operating expenses in 2019.

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, 2019, 2018 and 2017 follows:

Operating Expenses by Function

(in millions)	2019		2018		2017	
Educational and general instruction	$ 1,320	22%	$ 1,268	22%	$ 1,204	21%
Research	749	12%	785	13%	768	14%
Public service	66	1%	49	1%	39	1%
Academic support	540	9%	512	9%	507	9%
Student services	54	1%	53	1%	49	1%
Institutional support	226	4%	251	4%	240	4%
Operation and maintenance of plant	252	4%	201	3%	206	4%
Scholarships and fellowships	155	3%	149	3%	137	2%
Auxiliary enterprises	554	9%	495	8%	495	9%
Medical-related	1,776	29%	1,712	29%	1,658	29%
Depreciation/amortization	372	6%	384	7%	363	6%
Total operating expenses	**$ 6,064**	**100%**	**$ 5,859**	**100%**	**$ 5,666**	**100%**

Overall, the University's operating expenses increased $205 million, or 4%, in 2019 and $193 million, or 3%, in 2018. Approximately 62% of amounts incurred for operating expenses in both 2019 and 2018 were related to faculty and staff compensation and benefits.

In 2019, expense associated with faculty and staff salaries increased $143 million, or 5%, primarily due to merit increases and a 1% increase in University FTE's.

Benefits expense decreased $71 million, or 8% in 2019. Pension-related benefit expenses decreased $42 million, driven by a reduction in the University's proportionate share of expense associated with the DRS plans, primarily due to better than expected earnings on plan assets and a decrease in the University's PERS 1 participation. OPEB expense decreased $49 million due to a favorable change in the actuarial assumptions regarding future growth in healthcare costs. These decreases were partially offset by a $20 million increase in all other benefit expenses, primarily due to growth in the underlying salaries and the number of FTE's.

Supplies and materials expense increased $43 million, or 7%, in 2019 primarily driven by greater costs for pharmaceutical and medical supplies due to increased patient care volumes and acuity.

Purchased services increased $40 million, or 5%, in 2019. The services of contract medical personnel, as well as information technology and management consulting, make up part of the increase, together with increased services purchased from Fred Hutchinson Cancer Research Center and Seattle Cancer Care Alliance.

Other operating expense increased $49 million, or 29%, in 2019 due, in part, to an increase in the self-insurance claims reserve resulting from two professional liability claims, together with higher rental expenses for University properties.

In 2018, expense associated with faculty and staff salaries increased $80 million, or 3%, as the impact from employee merit increases during the year was somewhat offset by an overall 1% reduction in University FTE's.

Benefits expense increased $61 million, or 7%, in 2018 primarily due to the implementation of GASB Statement No. 75. The difference between cash funding paid to the plan administrator, which was the basis for recording OPEB expense in the prior year, and OPEB expense reflecting application of Statement No. 75, was an increase in expense of approximately $100 million. This increase in benefits expense was partially offset by a $28 million reduction in expense associated with the defined-benefit pension plans administered by the DRS due to better than expected earnings on plan investments, and an $11 million reduction in pension expense associated with the UWSRP.

Supplies and materials expense increased $41 million, or 8%, in 2018 primarily due to increased costs of $21 million associated with drugs and medical supplies used at UW Medicine, together with a combination of other, smaller, increases associated with SOM and the University's blended component units.

Economic Factors That May Affect the Future

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

STATE OPERATING AND CAPITAL APPROPRIATIONS

The state of Washington, which provided approximately 6% of the University's total revenues in fiscal year 2019, continues to experience moderate economic growth and commensurate increases in state tax collections. In recent biennia, however, additional state tax collections and new revenue have largely been consumed by court-mandated increases to K-12 education funding (McCleary v. Washington). As part of the 2019-21 compromise budget package, which was passed during the 2019 legislative session and is effective for fiscal years 2020 and 2021, the legislature approved HB 2158, which created a dedicated source of funding for higher education through an increase to Business and Occupation (B&O) taxes on professional services. In addition to funding foundational support allocations to public colleges and universities, this revenue will maintain the legislature's commitment to fully-fund the State Need Grant program (re-named the "Washington College Grant" program) by fiscal year 2021, and will make significant investments in science, technology, engineering and math (STEM) enrollments across all three University campuses. Looking forward, state economic and revenue forecasts reflect a strong state economy, and projections for future state revenue collections continue to increase with each forecast.

During the 2013-15 biennium, the University committed to freezing resident undergraduate tuition rates in 2014 and 2015 in exchange for increases in state funding in both years. In the 2015-17 biennium, the state approved a new tuition policy that reduced resident undergraduate tuition rates to 5% below the 2015 rates in 2016, and to 15% below the 2015 rates in 2017. The state provided funds to offset the lost tuition revenue in both years. The same tuition policy allowed for future increases tied to a rolling average of median hourly wage in the state. Under this current policy, the state allowed resident undergraduate tuition to increase by just over 2% in 2018 and again in 2019. While the legislature can always modify its policy, it has so far chosen to maintain it through the 2019-21 biennium, so the expectation is that resident undergraduate tuition increases will continue to be limited to approximately 2% 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.

The University's fiscal year 2020 general operating appropriation from the state (excluding certain amounts appropriated for specific purposes) is expected to total nearly $398 million. This amount is an increase from approximately $368 million in 2019 and $353 million in 2018. Recent increases are largely attributable to targeted investments in foundational support and STEM enrollments included in HB 2158. The University also received new appropriations for compensation, medical education, hospital and dental clinic safety net support, and targeted research investments.

After failing to pass a biennial state capital budget during their 2017 legislative session, the state approved a compromise 2017-19 biennial capital budget when they reconvened in 2018. Therefore, some projects that were slated to receive funding for the beginning of 2018 were delayed by several months. State funding for capital appropriations continues to be constrained, but the state's 2019-21 biennial capital budget provided state bonding capacity or other funding for several critical capital projects that the University requested for the 2019-21 biennium. These include a health sciences education building, STEM-related buildings across all three campuses, and seismic upgrades. The state also provided significant funding for the University to expand mental health services through a new behavioral health teaching facility.

UW MEDICINE

The healthcare industry, in general, and the acute care hospital business, in particular, are experiencing significant regulatory uncertainty based, in large part, on legislative efforts to significantly modify or repeal and potentially replace the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (Affordable Care Act or ACA). It is difficult to predict the full impact of these actions on future revenues and operations. Changes to the ACA may significantly impact UW Medicine.

The ability to increase profitability will depend, in part, on successfully executing UW Medicine strategies. In general, these strategies are intended to improve financial performance through the reduction of costs and streamlining how UW Medicine provides clinical care, as well as mitigating the recent negative reimbursement trends being experienced within the market. Successfully managing costs and efficiently delivering care will be paramount due to a continued focus on patient volumes shifting from inpatient to outpatient settings, demand for care that is more convenient, affordable and accessible, and migration to value based payment models.

Embright

UW Medicine and MultiCare Health System (MultiCare) announced the formation of a new alliance in 2017 to expand access to high quality healthcare and allow the two organizations to engage in joint activities to further the mission of each organization. UW Medicine, MultiCare and LifePoint Health formed the Pacific Northwest Clinically Integrated Network, LLC dba Embright, following approval by the University's Board of Regents in October 2018. As a clinically integrated network in the Pacific Northwest owned by healthcare provider organizations, Embright aims to enable the partners to develop care delivery models that will improve patient care and the patient experience at a more affordable cost. Together, the founding organizations 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 and care pathways, standardized processes and care management services for complex patients. UW Medicine currently has an equity ownership interest of 45% in Embright at June 30, 2019.

Investments in Information Technology

In July 2018, the University Board of Regents granted approval to proceed with the UW Medicine clinical transformation program, called Destination: One. This multi-year program aims to improve patient engagement, physician and practitioner experience and to achieve business and operating efficiencies through development of foundational systems and improved staffing workflows. Patient engagement is expected to be enhanced through development of a single online patient portal for activities between the patient and UW Medicine. More online service opportunities and easy navigation are expected to create additional opportunities for communication between the patient and their care team. UW Medicine is anticipated to achieve business and operating efficiencies through simplification and standardization across operations and IT, resulting in revenue cycle improvements and optimized resource utilization. Total program costs are estimated to be $180 million, of which $129 million will be financed through the University's Internal Lending Program. Destination: One is expected to be fully implemented in October, 2020.

Northwest Hospital Integration

In February 2018, the University Board of Regents granted approval to proceed with the dissolution and subsequent integration of Northwest Hospital into UW Medical Center. As changes in the national and regional healthcare environment evolve, adopting a new model of one hospital on two campuses will provide additional opportunities for cost savings, improved coordination of care, and a better patient experience. Upon dissolution of the Northwest Hospital corporation, Northwest Hospital assets and debts will be assumed by UW Medical Center and Northwest Hospital staff will become University employees. Full integration is planned to occur on January 1, 2020.

OTHER

Rising benefit costs, particularly for pensions and healthcare, continue to impact the University. Employer pension funding rates for the Public Employees Retirement System (PERS) pension plans were unchanged during fiscal year 2019, but will be increasing 1% during fiscal year 2020, from 12.70% to 12.86% of covered salary. Likewise, the monthly employer base rate paid by the University for employee healthcare was mostly unchanged during 2019, but will be increasing 3% in 2020, from $916 to $939 per active employee. Both rates are likely to continue increasing over the next few years.

STATEMENTS OF NET POSITION

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNIT	
	June 30,		June 30,	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018	2019	2018
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS (NOTE 2)	$ 85,516	$ 144,136	$ 35,373	$ 48,186
INVESTMENTS, CURRENT PORTION (NOTE 6)	616,484	552,641	67,198	41,431
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE OF $21,673 AND $19,447) (NOTE 5)	817,762	738,743	86,924	83,950
OTHER CURRENT ASSETS	54,675	50,482	24,246	53,314
TOTAL CURRENT ASSETS	1,574,437	1,486,002	213,741	226,881
NONCURRENT ASSETS:				
DEPOSIT WITH STATE OF WASHINGTON (NOTE 3)	72,843	67,655	–	–
INVESTMENTS, NET OF CURRENT PORTION (NOTE 6)	5,375,352	5,104,848	545	1,377
METROPOLITAN TRACT (NOTE 7)	168,292	152,233	–	–
STUDENT LOANS RECEIVABLE (NET OF ALLOWANCE OF $1,656 AND $4,339) (NOTE 4)	60,737	63,541	–	–
OTHER NONCURRENT ASSETS	221,994	197,948	152,759	81,399
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF $4,898,154 AND $4,607,053) (NOTE 8)	4,935,336	4,979,731	385,901	380,445
TOTAL NONCURRENT ASSETS	10,834,554	10,565,956	539,205	463,221
TOTAL ASSETS	12,408,991	12,051,958	752,946	690,102
DEFERRED OUTFLOWS OF RESOURCES (NOTE 12)	414,063	244,041	16,119	12,491
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$12,823,054**	**$12,295,999**	**$ 769,065**	**$ 702,593**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 750,853	$ 784,036	$ 124,460	$ 108,245
UNEARNED REVENUES	188,702	188,077	–	–
OTHER CURRENT LIABILITIES	85,285	158,082	–	–
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 9-11)	141,368	136,517	10,550	10,208
TOTAL CURRENT LIABILITIES	1,166,208	1,266,712	135,010	118,453
NONCURRENT LIABILITIES:				
U.S. GOVERNMENT GRANTS REFUNDABLE	43,346	45,535	–	–
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 9-11)	2,644,445	2,620,587	338,374	299,262
PENSION LIABILITIES (NOTE 15)	1,143,483	1,184,852	–	–
OTHER POST-EMPLOYMENT BENEFITS (NOTE 16)	1,354,177	1,565,213	–	–
TOTAL NONCURRENT LIABILITIES	5,185,451	5,416,187	338,374	299,262
TOTAL LIABILITIES	6,351,659	6,682,899	473,384	417,715
DEFERRED INFLOWS OF RESOURCES (NOTE 12)	893,069	516,323	23,849	25,031
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,244,728	**7,199,222**	**497,233**	**442,746**
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	2,489,083	2,483,814	102,937	87,817
RESTRICTED:				
NONEXPENDABLE	1,877,816	1,721,927	–	–
EXPENDABLE	2,192,163	2,128,692	3,525	8,240
UNRESTRICTED	(980,736)	(1,237,656)	165,370	163,790
TOTAL NET POSITION	5,578,326	5,096,777	271,832	259,847
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$12,823,054**	**$12,295,999**	**$ 769,065**	**$ 702,593**

See accompanying notes to financial statements.
Dollars in thousands

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNIT	
	Year ended June 30,		Year ended June 30,	
REVENUES	2019	2018	2019	2018
OPERATING REVENUES:				
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF $159,390 AND $154,854)	$ 1,052,222	$ 989,912	$ –	$ –
NET PATIENT SERVICE REVENUES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF $29,140 AND $29,411)	2,135,733	2,008,317	622,824	598,633
FEDERAL GRANTS AND CONTRACTS	1,041,103	1,048,088	–	–
STATE AND LOCAL GRANTS AND CONTRACTS	115,969	103,267	–	–
NONGOVERNMENTAL GRANTS AND CONTRACTS	268,449	257,966	–	–
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	260,176	242,886	–	–
AUXILIARY ENTERPRISES:				
HOUSING AND FOOD SERVICES	152,965	131,369	–	–
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF $8,014 AND $7,590)	93,304	91,924	–	–
OTHER AUXILIARY ENTERPRISES	236,906	179,574	–	–
OTHER OPERATING REVENUE	128,391	118,497	55,033	38,092
TOTAL OPERATING REVENUES	**5,485,218**	**5,171,800**	**677,857**	**636,725**
EXPENSES				
OPERATING EXPENSES (NOTE 13):				
SALARIES	2,879,442	2,736,630	347,820	315,905
BENEFITS	852,888	924,253	84,177	75,902
SCHOLARSHIPS AND FELLOWSHIPS	155,158	149,378	–	–
UTILITIES	67,977	59,884	6,024	5,179
SUPPLIES AND MATERIALS	631,511	588,476	90,764	83,246
PURCHASED SERVICES	884,334	844,729	81,907	73,613
DEPRECIATION/AMORTIZATION	372,435	384,004	37,202	33,167
OTHER	220,485	171,442	33,429	36,082
TOTAL OPERATING EXPENSES	**6,064,230**	**5,858,796**	**681,323**	**623,094**
OPERATING INCOME (LOSS)	**(579,012)**	**(686,996)**	**(3,466)**	**13,631**
NONOPERATING REVENUES (EXPENSES)				
STATE APPROPRIATIONS	378,656	362,267	–	–
GIFTS	165,831	166,721	–	–
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE OF $8,700 AND $10,790)	339,878	404,412	7,787	2,468
INTEREST ON CAPITAL ASSET-RELATED DEBT	(88,498)	(76,642)	(14,853)	(14,258)
PELL GRANT REVENUE	51,790	51,097	–	–
PROPERTY TAX REVENUE	–	–	23,258	22,722
OTHER NONOPERATING REVENUES	8,363	4,749	(689)	15,723
NET NONOPERATING REVENUES	**856,020**	**912,604**	**15,503**	**26,655**
INCOME BEFORE OTHER REVENUES	**277,008**	**225,608**	**12,037**	**40,286**
CAPITAL APPROPRIATIONS	24,797	26,399	–	–
CAPITAL GRANTS, GIFTS AND OTHER	44,260	142,573	–	–
GIFTS TO PERMANENT ENDOWMENTS	135,484	95,890	–	–
TOTAL OTHER REVENUES	**204,541**	**264,862**	**–**	**–**
INCREASE IN NET POSITION	**481,549**	**490,470**	**12,037**	**40,286**
NET POSITION				
NET POSITION – BEGINNING OF YEAR (NOTE 1)	5,096,777	4,606,307	259,795	219,561
NET POSITION – END OF YEAR	**$ 5,578,326**	**$ 5,096,777**	**$ 271,832**	**$ 259,847**

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	2019	2018
STUDENT TUITION AND FEES	$ 1,007,157	$ 958,966
PATIENT SERVICES	2,097,521	1,989,098
GRANTS AND CONTRACTS	1,454,338	1,376,235
PAYMENTS TO SUPPLIERS	(661,940)	(567,439)
PAYMENTS FOR UTILITIES	(69,370)	(59,381)
PURCHASED SERVICES	(903,559)	(832,124)
OTHER OPERATING DISBURSEMENTS	(220,428)	(169,606)
PAYMENTS TO EMPLOYEES	(2,870,989)	(2,732,923)
PAYMENTS FOR BENEFITS	(858,285)	(823,136)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(155,158)	(149,378)
LOANS ISSUED TO STUDENTS	(16,009)	(17,148)
COLLECTION OF LOANS TO STUDENTS	16,624	18,614
AUXILIARY ENTERPRISE RECEIPTS	482,011	401,799
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	248,804	260,364
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	902,277	904,189
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(920,315)	(901,659)
OTHER RECEIPTS	109,276	116,012
NET CASH USED BY OPERATING ACTIVITIES	**(358,045)**	**(227,517)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
STATE APPROPRIATIONS	360,803	362,267
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	51,790	51,097
PRIVATE GIFTS	130,496	132,796
PERMANENT ENDOWMENT RECEIPTS	135,484	95,890
DIRECT LENDING RECEIPTS	236,348	237,500
DIRECT LENDING DISBURSEMENTS	(233,837)	(241,317)
OTHER	8,897	4,700
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**689,981**	**642,933**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL DEBT	184,003	186,339
STATE CAPITAL APPROPRIATIONS	23,704	24,228
CAPITAL GRANTS AND GIFTS RECEIVED	38,068	141,648
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(314,652)	(622,412)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(225,447)	(116,809)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(89,443)	(90,401)
OTHER	(2,885)	(1,205)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(386,652)**	**(478,612)**

	UNIVERSITY OF WASHINGTON	
	Year Ended June 30,	
CASH FLOWS FROM INVESTING ACTIVITIES	2019	2018
PROCEEDS FROM SALES OF INVESTMENTS	11,323,460	10,549,300
DISBURSEMENTS FOR PURCHASES OF INVESTMENTS	(11,425,292)	(10,493,626)
INVESTMENT INCOME	97,928	87,623
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	**(3,904)**	**143,297**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(58,620)**	**80,101**
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	144,136	64,035
CASH AND CASH EQUIVALENTS-END OF THE YEAR	**$ 85,516**	**$ 144,136**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	$ (579,012)	$ (686,996)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
DEPRECIATION/AMORTIZATION EXPENSE	372,435	384,004
CHANGES IN ASSETS, LIABILITIES AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:		
RECEIVABLES	(31,151)	(52,983)
OTHER ASSETS	(28,711)	(20,093)
PENSION AND OPEB RELATED DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES	202,777	387,381
PENSION LIABILITIES	(41,368)	(237,559)
OPEB LIABILITY	(211,036)	(95,235)
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	(48,309)	59,732
UNEARNED REVENUE	625	(7,776)
OTHER LONG-TERM LIABILITIES	5,090	40,541
U.S. GOVERNMENTAL GRANTS REFUNDABLE	(2,189)	(4,373)
LOANS TO STUDENTS	2,804	5,840
NET CASH USED BY OPERATING ACTIVITIES	**$ (358,045)**	**$ (227,517)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
STOCK GIFTS	$ 36,844	$ 31,729
INCREASE IN INTEREST IN SEATTLE CANCER CARE ALLIANCE	24,231	17,332
NET UNREALIZED GAINS	41,208	237,197
EXTERNALLY MANAGED TRUSTS	8,109	112,821
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	**$ 110,392**	**$ 399,079**

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. Valley Medical Center is reported discretely since it has a separate board of directors, 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.

BLENDED COMPONENT UNITS

The following entities are presented as blended component units of the University. Financial information for these affiliated organizations is available from their respective administrative offices.

MEDICAL ENTITIES

Northwest Hospital & Medical Center (NWH)

NWH is a Washington nonprofit corporation formed in 1949, whose sole corporate member is the University. Northwest Hospital is a 281 licensed-bed, full-service medical facility primarily serving the healthcare needs of residents of King and Snohomish counties in Washington. NWH had operating revenues of $378.7 million and $370.8 million for the years ended June 30, 2019 and 2018, respectively.

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 $309.7 million and $329.8 million for the years ended June 30, 2019 and 2018, 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 $32.0 million and $27.9 million for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, these entities had net capital assets of $348.5 million and $360.5 million, respectively, and long-term debt of $354.5 million and $370.8 million, respectively. These amounts are reflected in the University's financial statements.

DISCRETELY PRESENTED COMPONENT UNIT

Valley Medical Center

The University and Public Hospital District No. 1 of King County, a Washington public hospital district dba Valley Medical Center (VMC), participate in a Strategic Alliance Agreement. VMC owns and operates a 321-bed full-service acute care hospital and 45 clinics located throughout southeast King County. The audited financial statements of VMC are available by contacting VMC at 400 S. 43rd Street, Renton, Washington 98055 or online at the following address: valleymed.org/about-us/financial-information.

JOINT VENTURES

The University, together with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center, are members of the Seattle Cancer Care Alliance (SCCA). The SCCA integrates the cancer research, teaching and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Each member of the SCCA holds a one-third interest in the joint venture. The University accounts for its interest in the SCCA under the equity method of accounting. As of June 30, 2019 and 2018, the University's investment in the SCCA totaled $183.4 million and $159.1 million, respectively. The University's investment in the SCCA is included in Other Noncurrent Assets in its Statements of Net Position. The University reported investment income of $24.2 million and $17.3 million for its share of the joint venture for the years ended June 30, 2019 and 2018, respectively.

The University and Seattle Children's Hospital established Children's University Medical Group (CUMG) to assist the organizations in carrying out their pediatric patient care and charitable, educational, and scientific missions. CUMG employs SOM faculty physicians, and bills and collects for their services as an agent for SOM. The University records revenue from CUMG based on the income distribution plan effective December 31, 2008. The University's patient services receivable (see note 5) as of June 30, 2019 and 2018 includes amounts due from CUMG of $16.6 million and $17.6 million, respectively.

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 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 expense is 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, 2017, the University adopted GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* (OPEB), which established new actuarial methods and discount rate standards for the measurement and recognition of the cost of postemployment benefits provided to the employees of state and local governmental employers. This Statement replaced the requirements of GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions."* As a result of implementing Statement No. 75, the University recognized its proportionate share of the state of Washington's actuarially determined total OPEB liability, deferred inflows of resources and deferred outflows of resources, and OPEB expense. Prior to adopting this Statement the University's financial statements did not reflect any OPEB liability or associated deferred inflows or outflows, and reported OPEB expense based on employer contributions paid to the OPEB plan administrator. In addition to the reporting changes described above, implementation of this Statement resulted in the restatement of fiscal year 2018 beginning Unrestricted Net Position, reducing it by $1.7 billion.

On July 1, 2017, the University adopted GASB Statement No. 81, *"Irrevocable Split-Interest Agreements."* Irrevocable split-interest agreements are a specific type of giving arrangement used by donors to provide resources to two or more beneficiaries, including governments. This Statement changed the way that governments reflect resources received pursuant to irrevocable split-interest agreements, both at inception and throughout the life of the associated contract. Specifically, when the University has a remainder interest in a trust that is also managed by the University, revenues are no longer recognized when the asset is received and upon periodic revaluation, but are instead deferred and recognized at termination of the contract. This change resulted in the restatement of fiscal year 2018 beginning Restricted Nonexpendable Net Position, reducing it by $47.2 million, together with an increase in Deferred Inflows. When the University has a lead interest in a trust that is not managed by the University, revenues are now recognized both when the asset is received and upon periodic revaluation. These events were previously not reflected in the financial statements of the University. Revenue will also continue to be recognized as periodic payments are received, as was the case prior to implementation of GASB 81. This change also resulted in the restatement of fiscal year 2018 beginning Restricted Nonexpendable Net Position, increasing it by $112.8 million, together with an increase in Investments. The net impact of implementing these accounting changes was an increase in beginning Restricted Nonexpendable Net Position of $65.6 million.

With the adoption of GASB Statements No. 75 and No. 81, net position was restated at July 1, 2017. Below is a reconciliation of total net position as previously reported at June 30, 2017, to the restated net position.

(Dollars in thousands)

NET POSITION AT JUNE 30, 2017, AS PREVIOUSLY REPORTED	$ 6,201,106
ADOPTION OF GASB STATEMENT NO. 75	(1,660,447)
ADOPTION OF GASB STATEMENT NO. 81	65,648
NET POSITION AT JULY 1, 2017, AS RESTATED	**$ 4,606,307**

On July 1, 2018, the University adopted GASB Statement No. 83, *"Certain Asset Retirement Obligations."* An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments that have a legal obligation to perform future tangible asset retirement activities are now required to recognize a liability and offsetting deferred outflow of resources when the obligation associated with these costs has been incurred and the costs are reasonably estimable. The basis of the estimate is the current value of the expected future outlays, and is adjusted annually for inflation and any changes in relevant factors. The deferral is recognized as expense in a systematic and rational manner over the life of the tangible capital asset. The liability is extinguished as retirement costs are paid. The University's 2015 Decommissioning Funding Plan, prepared in accordance with Washington Administrative Code 246-235-075, estimated disposal and clean-up costs related to all radioactive materials used for research, clinical applications, and education and was used as the basis for recording the initial ARO liability. These costs were updated based on information provided by vendors that the University is using to prepare its forthcoming Decommissioning Funding Plan report. Prior to adopting this Statement, the University's financial statements did not reflect any ARO liability or associated deferred outflow, and reported costs associated with these retirement activities as expense at the time of asset disposal. Implementation of this Statement resulted in the recognition of a liability of $8.2 million, deferred outflow of $4.3 million and amortization expense of $3.9 million in fiscal year 2019.

On July 1, 2018, the University adopted GASB Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements."* This Statement requires that additional information related to debt be disclosed in the Notes to Financial Statements, including the amount of unused lines of credit, assets pledged as collateral, significant default and termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that currently existing disclosure requirements related to long-term liabilities be provided for direct borrowings and direct placements of debt separately from other debt disclosures. The Statement will not impact the recognition or measurement of liabilities, and will have no impact on the University's net position. Implementation of this statement did not have a material impact on the University's financial statements.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In January 2017, the GASB issued Statement No. 84, *"Fiduciary Activities,"* which will be effective for the fiscal year ending June 30, 2020. This Statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. Governments with activities meeting the criteria are required to present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Custodial assets held for three months or less are exempt from the reporting requirements. The University will be required to report fiduciary activities that do not meet the exception criteria, primarily consisting of funds invested by other agencies and organizations in the Consolidated Endowment Fund.

In June 2017, the GASB issued Statement No. 87, *"Leases,"* which will be effective for the fiscal year ending June 30, 2021. This Statement changes the current classification of lease arrangements as either operating or capital leases, and establishes a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This Statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees will be required to recognize a lease liability and an intangible right-to-use lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. The University expects implementation of this Statement to materially increase the reported amounts for assets and liabilities on the Statements of Net Position. The University is currently evaluating the overall impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period,"* which will be effective for the fiscal year ending June 30, 2021. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the University. This Statement will be applied on a prospective basis, and interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated. The University estimates that implementation of this Statement will result in approximately $10.0 million of additional interest expense being recognized annually.

In August 2018, the GASB issued Statement No. 90, *"Majority Equity Interests,"* which will be effective for the fiscal year ending June 30, 2020. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. When a majority equity interest meets the definition of an investment as defined by GASB, the equity interest is required to be reported as an investment for financial reporting purposes and is required to be measured using the equity method of accounting. Majority equity interests that do not meet the definition of an investment are required to be reported as a component unit. This Statement also provides guidance for valuing the acquisition of assets and liabilities of wholly-owned equity interests that remain legally separate, and brings this reporting in line with existing standards that apply to acquisitions that do not remain legally separate. Review of the University's equity interests has not revealed any majority interests that would fall within the scope of this Statement.

In December 2018, the GASB issued Statement No. 91, *"Conduit Debt Obligations,"* which will be effective for the fiscal year ending June 30, 2022. This Statement provides a single method for reporting conduit debt obligations of issuers. The Statement clarifies the existing definition of a conduit debt obligation, creates standards for accounting for commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves related financial statement disclosures. The Statement provides guidance for arrangements when capital assets are acquired with proceeds of conduit debt obligations used by a third party that is obligated to pay the debt service. The University has not issued conduit debt; therefore, implementation of this Statement will have no impact on the University's financial statements.

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, in each case, 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 4 and 5) 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.

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.

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 books and intangibles are stated at cost or, if acquired by gift, at fair market value at the date of the gift, less accumulated depreciation and amortization. Additions, replacements, major repairs and renovations are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, 5 to 7 years for equipment, 15 years for library books, and 3 to 15 years for intangibles.

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

Interest incurred on capital asset-related debt was $91.7 million and $91.8 million for the years ended June 30, 2019 and 2018, respectively. The University capitalized $3.2 million and $15.2 million of this cost for the years ended June 30, 2019 and 2018, respectively.

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

Asset Retirement Obligations. 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 10 and 15 years. The University has issued a statement of intent to the Washington Department of Health to request funding from the state legislature to fund the decommissioning of these assets. The University has no assets restricted for payment of these obligations. The University has not recognized an obligation for costs that would be incurred in the event that the University relinquished its license from the Department of Health and ceased use of radioactive materials in its operations as the likelihood of this occurring is remote.

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

Single Employer Pension Plan (UW Supplemental Retirement Plan). 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 is the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average credit rating of AA/Aa or higher. 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. The measurement date for the total 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 proportionate share determined based on the relationship of the University's healthcare-eligible headcount to the total healthcare-eligible headcount for the state. The total OPEB liability is determined by discounting projected benefit subsidies for current employees and retirees based on the discount rate required by GASB Statement No. 75 for OPEB plans that do not have assets residing in a qualified trust. OPEB expense is recognized for subsidies earned during the period, interest on the total OPEB liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for healthcare-eligible employees. Contributions made to the plan subsequent to the measurement date and prior to the University's fiscal year-end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the total OPEB liability is June 30 of the prior fiscal year.

Split-Interest Agreements. Under such agreements, donors make gifts to the University but the University is not the sole beneficiary and receives either a lead interest (distributions during the term of the agreement) or a remainder interest (distribution of assets remaining at the end of the agreement). Charitable trusts, charitable gift annuities, pooled income funds and beneficial interests in charitable trusts are examples of split-interest gifts. Where the University holds a remainder interest in a trust that is also administered by the University, an asset related to these agreements is recorded at fair market value, a deferred inflow is recorded for the remainder value, and a liability is recorded equal to the present value of expected future distributions to the income beneficiaries. The liability is calculated using discount rates ranging from 3.2% to 7.5%. Additionally, donors have established and funded trusts which are administered by organizations other than the University. Under the terms of these trusts, the University has the irrevocable right to receive all or a portion of the income earned on the trust assets in perpetuity. The University does not control the assets held by the outside trusts but recognizes an interest in the trusts, based on the fair value of the assets contributed to the trusts, mostly as permanently restricted contributions. Fluctuation in the fair value of these assets are recorded annually as revenue and impact Restricted Nonexpendable Net Position.

Compensated Absences. University employees accrue annual leave at rates based on length of service, and for sick leave at the rate of one day per month. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours, or for any balance upon retirement or death. Annual leave accrued at June 30, 2019 and 2018 was $132.5 million and $127.0 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, 2019 and 2018 was $51.3 million and $49.6 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. The estimated final settlements for open years are based on preliminary cost findings after giving consideration to interim payments that have been received on behalf of patients covered under these programs.

For more information about Net Patient Service Revenue, see the audited financial statements of the UW Medicine Clinical Enterprise – UW Division, which are contained in the latest Bondholders Report at finance.uw.edu/treasury/bondholders/other-investor-material.

Financial Assistance. Financial assistance provides patient care without charge to patients who meet certain criteria under the financial assistance policy. Records are maintained to identify and monitor the level of financial assistance provided. These records include charges foregone for services and supplies furnished under the financial assistance policy to the uninsured and the underinsured. Collection of these amounts is not pursued and, as such, they are not reported as net patient service revenue. The cost of financial assistance provided is calculated based on the aggregate relationship of costs to charges. The estimated cost of financial assistance provided during the years ended June 30, 2019 and 2018 was $21.9 million.

State Appropriations. The state of Washington appropriates funds to the University on both annual and biennial bases. 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.

NOTE 2:

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 3:

Deposit with State of Washington

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

NOTE 4:

Student Loans Receivable

As of June 30, 2019 and 2018, net student loans of $60.7 million and $63.5 million, respectively, consist of $43.3 million and $48.5 million, respectively, from federal programs, and $17.4 million and $15.0 million, respectively, from University programs. For the years ended June 30, 2019 and 2018, interest income from student loans was $1.6 million and $1.7 million, respectively. These unsecured loans are made primarily to students who reside in the state of Washington.

NOTE 5:

Accounts Receivable

The major components of accounts receivable as of June 30, 2019 and 2018 were as follows:

(Dollars in thousands)	**2019**	**2018**
NET PATIENT SERVICES	$ 360,301	$ 319,956
GRANTS AND CONTRACTS	186,498	204,602
INVESTMENTS	86,013	57,092
DUE FROM OTHER AGENCIES	94,723	86,993
SALES AND SERVICES	46,188	34,816
STATE APPROPRIATIONS	26,635	7,688
TUITION	11,735	12,563
ROYALTIES	2,937	3,090
OTHER	24,405	31,390
SUBTOTAL	839,435	758,190
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(21,673)	(19,447)
TOTAL	**$ 817,762**	**$ 738,743**

NOTE 6:

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	**2019**	**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	$ 948,192	$ 26,758	$ 921,434	$ –
U.S. GOVERNMENT AGENCY	388,414	11,068	377,346	–
MORTGAGE BACKED	247,486	–	247,486	–
ASSET BACKED	278,752	–	278,752	–
CORPORATE AND OTHER	449,450	76,355	373,095	–
TOTAL FIXED INCOME SECURITIES	**2,312,294**	**114,181**	**2,198,113**	**–**
EQUITY SECURITIES				
GLOBAL EQUITY INVESTMENTS	603,348	598,195	5,153	–
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	132	–	–	132
REAL ESTATE	10,268	4,311	–	5,957
OTHER	16,080	7,039	880	8,161
TOTAL EQUITY SECURITIES	**629,828**	**609,545**	**6,033**	**14,250**
EXTERNALLY MANAGED TRUSTS	**130,795**	**–**	**–**	**130,795**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**3,072,917**	**$ 723,726**	**$ 2,204,146**	**$ 145,045**

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	1,495,365
ABSOLUTE RETURN STRATEGY FUNDS	651,054
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	451,191
REAL ASSET FUNDS	164,931
OTHER	69,189
TOTAL INVESTMENTS MEASURED USING NAV	**2,831,730**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	5,904,647
CASH EQUIVALENTS AT AMORTIZED COST	87,189
TOTAL INVESTMENTS	**$ 5,991,836**

INVESTMENTS BY FAIR VALUE LEVEL	2018	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	$ 652,611	$ 3,967	$ 648,644	$ –
U.S. GOVERNMENT AGENCY	545,478	10,879	534,599	–
MORTGAGE BACKED	231,974	–	231,974	–
ASSET BACKED	175,449	–	175,449	–
CORPORATE AND OTHER	495,926	72,390	423,536	–
TOTAL FIXED INCOME SECURITIES	**2,101,438**	**87,236**	**2,014,202**	**–**
EQUITY SECURITIES				
GLOBAL EQUITY INVESTMENTS	719,261	711,232	8,029	–
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	27,224	–	25,885	1,339
REAL ESTATE	10,097	5,016	–	5,081
OTHER	11,385	6,917	–	4,468
TOTAL EQUITY SECURITIES	**767,967**	**723,165**	**33,914**	**10,888**
EXTERNALLY MANAGED TRUSTS	**122,686**	**–**	**–**	**122,686**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**2,992,091**	**$ 810,401**	**$ 2,048,116**	**$ 133,574**

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	1,311,637
ABSOLUTE RETURN STRATEGY FUNDS	622,479
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	369,888
REAL ASSET FUNDS	193,341
OTHER	48,228
TOTAL INVESTMENTS MEASURED USING NAV	**2,545,573**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	5,537,664
CASH EQUIVALENTS AT AMORTIZED COST	119,825
TOTAL INVESTMENTS	**$ 5,657,489**

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)*

2019	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
GLOBAL EQUITY INVESTMENTS	$ 1,495,365	$ 14,523	MONTHLY TO ANNUALLY	15-180 DAYS
ABSOLUTE RETURN STRATEGY FUNDS	651,054	13,190	QUARTERLY TO ANNUALLY	30-90 DAYS
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	451,191	387,288	N/A	–
REAL ASSETS FUNDS	164,931	67,229	N/A	–
OTHER	69,189	38,916	QUARTERLY TO ANNUALLY	30-95 DAYS
TOTAL INVESTMENTS MEASURED USING NAV	**$ 2,831,730**			
2018	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
GLOBAL EQUITY INVESTMENTS	$ 1,311,637	$ 22,308	MONTHLY TO ANNUALLY	15-180 DAYS
ABSOLUTE RETURN STRATEGY FUNDS	622,479	–	QUARTERLY TO ANNUALLY	30-90 DAYS
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	369,888	347,263	N/A	–
REAL ASSETS FUNDS	193,341	55,105	N/A	–
OTHER	48,228	850	QUARTERLY TO ANNUALLY	30-95 DAYS
TOTAL INVESTMENTS MEASURED USING NAV	**$ 2,545,573**			

1. **Global Equity:** This investment category includes public equity investments in separately managed accounts, long-only comingled funds, unconstrained limited partnerships, and passive market indices. As of June 30, 2019 and 2018, approximately 79% and 72%, respectively, of the value of the investments in this category can be redeemed within 90 days. As of June 30, 2019 and 2018, approximately 92% 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, 2019 and 2018, approximately 72% and 88%, respectively, of the value of the investments in this category can be redeemed within one year.

3. **Private equity:** This category includes buyout, venture, and special situations funds. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of underlying assets of the funds will be liquidated over the next 7 to 10 years.

4. **Real assets:** This category includes real estate, natural resources, and other hard assets. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of underlying assets of the funds will be liquidated over 7 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, 2019 and 2018, approximately 25% and 15%, 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 cash balances into the Invested Funds Pool. At June 30, 2019 and 2018, the Invested Funds Pool totaled $1.9 billion and $1.8 billion, respectively. The Invested Funds Pool also owns units in the Consolidated Endowment Fund (CEF) which was valued at $649.0 million and $643.1 million at June 30, 2019 and 2018, respectively. By 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 2019 and 2018. University Advancement received 3.0% of the average balances in endowment operating and gift accounts in fiscal years 2019 and 2018. 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.

Under the CEF spending policy approved by the Board of Regents, quarterly distributions to programs are based on an annual percentage rate of 4.0%, applied to the five-year rolling average of the CEF's market valuation. Additionally, the policy allows for an administrative fee of 1.0% supporting campus-wide fundraising and stewardship activities (0.8%) and offsetting the internal cost of managing endowment assets (0.2%).

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, the net deficiency from the original gift value was $30 thousand and $0.4 million at June 30, 2019 and 2018, respectively.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $169.0 million and $62.3 million in fiscal years 2019 and 2018, 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 (depreciation) of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the years ended June 30, 2019 and 2018 was $220.7 million and $299.5 million, respectively.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2019 and 2018, the University had outstanding commitments to fund alternative investments of $521.1 million and $425.5 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.

DERIVATIVES

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.

Total return swaps involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value. The notional amount and fair value of investment derivative instruments outstanding as of June 30, 2019 and 2018, categorized by type, are as follows:

TABLE 3 – INVESTMENT DERIVATIVES *(Dollars in thousands)*

Notional Amount as of June 30			Fair Value as of June 30			Change in Fair Value		
DESCRIPTION	**2019**	**2018**	**ASSET CLASSIFICATION**	**2019**	**2018**	**INCOME CLASSIFICATION**	**2019**	**2018**
OPTIONS PURCHASED–PUTS	$ –	$ 161	INVESTMENTS	$ –	$ 137	INVESTMENT INCOME	$ –	$ (24)
SWAPS FIXED INCOME–LONG	113,705	119,807	INVESTMENTS	113,705	119,010	INVESTMENT INCOME	–	(797)
SWAPS FIXED INCOME SHORT	(113,705)	(119,001)	INVESTMENTS	(115,748)	(115,391)	INVESTMENT INCOME	(2,043)	3,610

As of June 30, 2019 and 2018, the University had outstanding futures contracts with notional amounts totaling $189.6 million and $115.5 million, respectively. As of June 30, 2019, accumulated unrealized gains on these contracts totaled $0.9 million. As of June 30, 2018, accumulated unrealized losses on these contracts totaled $0.3 million. These accumulated unrealized gains and losses 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, 2019 or 2018. No derivative instruments have been reclassified from a hedging instrument to an investment instrument.

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

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 2.86 years and 1.74 years at June 30, 2019 and 2018, 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, 2019 and 2018 exclude $41.5 million and $16.3 million, respectively, of fixed income securities held by component units. These amounts make up 1.79% and 0.77%, 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, 2019 and 2018, along with credit quality and effective duration measures, is summarized as follows:

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

2019

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. TREASURY SECURITIES	$ 921,434	$ –	$ –	$ –	$ 921,434	3.11
U.S. GOVERNMENT AGENCY	382,739	–	–	–	382,739	2.99
MORTGAGE BACKED	–	198,360	37,698	11,428	247,486	3.52
ASSET BACKED	–	276,446	847	1,459	278,752	1.39
CORPORATE AND OTHER	–	358,195	24,205	58,020	440,420	2.11
TOTAL	**$ 1,304,173**	**$ 833,001**	**$ 62,750**	**$ 70,907**	**$ 2,270,831**	**2.86**

2018

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. TREASURY SECURITIES	$ 648,644	$ –	$ –	$ –	$ 648,644	1.85
U.S. GOVERNMENT AGENCY	540,529	–	–	–	540,529	2.85
MORTGAGE BACKED	–	164,675	42,247	25,052	231,974	1.99
ASSET BACKED	–	147,713	1,134	26,602	175,449	0.71
CORPORATE AND OTHER	–	368,800	31,830	87,938	488,568	1.14
TOTAL	**$ 1,189,173**	**$ 681,188**	**$ 75,211**	**$ 139,592**	**$ 2,085,164**	**1.74**

*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 at both June 30, 2019 and 2018 of $1.5 billion.

TABLE 5 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)	**2019**	**2018**
CHINESE RENMINBI (CNY)	$ 270,614	$ 232,898
EURO (EUR)	206,129	161,709
JAPANESE YEN (JPY)	167,433	141,518
INDIAN RUPEE (INR)	160,397	154,962
BRITISH POUND (GBP)	89,330	78,660
BRAZIL REAL (BRL)	88,404	78,752
CANADIAN DOLLAR (CAD)	59,636	97,112
SWEDISH KRONA (SEK)	43,459	21,674
SOUTH KOREAN WON (KRW)	42,714	58,605
HONG KONG DOLLAR (HKD)	41,264	55,290
ARGENTINE PESO (ARS)	37,831	19,925
SWISS FRANC (CHF)	35,895	41,690
TAIWANESE DOLLAR (TWD)	30,491	33,151
RUSSIAN RUBLE (RUB)	27,666	30,289
AUSTRALIAN DOLLAR (AUD)	26,747	24,972
MEXICAN PESO (MXN)	26,487	33,643
REMAINING CURRENCIES	138,330	193,283
TOTAL	**$ 1,492,827**	**$ 1,458,133**

NOTE 7:

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.

The balances included on the Statements of Net Position as of June 30, 2019 and 2018 of $168.3 million and $152.2 million, respectively, represent the asset value net of operating liabilities and long-term debt on the property. The asset value is comprised primarily of land, buildings, building improvements and operating assets.

As of June 30, 2019 and 2018, total debt outstanding on the Metropolitan Tract was $30.6 million and $31.3 million, respectively. This debt will be repaid by income generated from the properties. The debt was issued in 2015 to refund commercial paper and to acquire the leasehold on the Cobb Building. These amounts are reflected in the balances for Metropolitan Tract on the Statements of Net Position, and are therefore not included in Note 9 or Note 11.

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

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

NOTE 8:

Capital Assets

Capital asset activity for the years ended June 30, 2019 and 2018 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2017	Additions/ Transfers	Retirements	Balance as of June 30, 2018	Additions/ Transfers	Retirements	Balance as of June 30, 2019
LAND	$ 144,211	$ 413	$ –	$ 144,624	$ 1,694	$ –	$ 146,318
INFRASTRUCTURE	310,088	1,265	55	311,298	3,139	51	314,386
BUILDINGS	6,151,073	286,982	2,606	6,435,449	628,548	33,611	7,030,386
FURNITURE, FIXTURES AND EQUIPMENT	1,476,943	106,634	67,257	1,516,320	101,004	56,461	1,560,863
LIBRARY MATERIALS	364,491	14,253	1,989	376,755	16,656	2,060	391,351
CAPITALIZED COLLECTIONS	7,248	117	–	7,365	313	–	7,678
INTANGIBLE ASSETS	208,528	12,462	302	220,688	2,505	7,761	215,432
CONSTRUCTION IN PROGRESS	349,699	221,651	4,562	566,788	(430,200)	4,255	132,333
INTANGIBLES IN PROCESS	10,510	(2,190)	823	7,497	27,246	–	34,743
TOTAL COST	**9,022,791**	**641,587**	**77,594**	**9,586,784**	**350,905**	**104,199**	**9,833,490**
LESS ACCUMULATED DEPRECIATION/ AMORTIZATION:							
INFRASTRUCTURE	120,556	8,708	55	129,209	8,400	–	137,609
BUILDINGS	2,600,309	218,775	2,597	2,816,487	239,383	26,330	3,029,540
FURNITURE, FIXTURES AND EQUIPMENT	1,193,473	116,503	58,535	1,251,441	105,014	53,419	1,303,036
LIBRARY MATERIALS	273,171	14,140	1,521	285,790	12,559	1,585	296,764
INTANGIBLE ASSETS	98,248	25,878	–	124,126	7,079	–	131,205
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	**4,285,757**	**384,004**	**62,708**	**4,607,053**	**372,435**	**81,334**	**4,898,154**
CAPITAL ASSETS, NET	**$ 4,737,034**	**$ 257,583**	**$ 14,886**	**$ 4,979,731**	**$ (21,530)**	**$ 22,865**	**$ 4,935,336**

NOTE 9:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the years ended June 30, 2019 and 2018 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2017	Additions/ Transfers	Reductions	Balance as of June 30, 2018	Additions/ Transfers	Reductions	Balance as of June 30, 2019	Current Portion as of June 30, 2018	Current Portion as of June 30, 2019
BONDS PAYABLE:									
UNAMORTIZED PREMIUM ON BONDS	$ 109,199	$ –	$ 13,890	$ 95,309	$ –	$ 13,919	$ 81,390	$ 13,920	$ 10,275
REVENUE BONDS PAYABLE (NOTE 11)	2,112,330	133,785	77,250	2,168,865	100,000	61,375	2,207,490	61,375	63,014
UNAMORTIZED PREMIUM ON BONDS	157,204	22,800	17,106	162,898	8,132	17,288	153,742	17,535	16,515
TOTAL BONDS PAYABLE	**2,378,733**	**156,585**	**108,246**	**2,427,072**	**108,132**	**92,582**	**2,442,622**	**92,830**	**89,804**
NOTES PAYABLE AND CAPITAL LEASES:									
NOTES PAYABLE & OTHER –CAPITAL ASSET RELATED (NOTE 11)	26,639	6,537	5,620	27,556	15,870	5,413	38,013	5,507	5,428
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 11)	1,479	86	134	1,431	153	90	1,494	1,351	1,458
CAPITAL LEASE OBLIGATIONS (NOTE 10)	12,829	216	2,943	10,102	–	2,451	7,651	2,556	2,214
TOTAL NOTES PAYABLE AND CAPITAL LEASES	**40,947**	**6,839**	**8,697**	**39,089**	**16,023**	**7,954**	**47,158**	**9,414**	**9,100**
OTHER LONG-TERM LIABILITIES:									
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	54,683	8,214	5,712	57,185	6,290	5,839	57,636	5,712	5,840
REMEDIATION LIABILITIES (NOTE 1)	21,000	–	–	21,000	12,153	–	33,153	1,000	900
HMC ITS FUNDING (NOTE 14)	30,258	3,025	3,564	29,719	–	5,897	23,822	11,500	11,100
SICK LEAVE (NOTE 1)	46,771	6,066	3,202	49,635	5,151	3,514	51,272	4,061	3,358
SELF-INSURANCE (NOTE 17)	78,484	42,033	8,307	112,210	22,178	34,225	100,163	12,000	21,266
OTHER NONCURRENT LIABILITIES	19,206	2,133	145	21,194	8,793	–	29,987	–	–
TOTAL OTHER LONG-TERM LIABILITIES	**250,402**	**61,471**	**20,930**	**290,943**	**54,565**	**49,475**	**296,033**	**34,273**	**42,464**
TOTAL LONG-TERM LIABILITIES	**$ 2,670,082**	**$ 224,895**	**$ 137,873**	**$ 2,757,104**	**$ 178,720**	**$ 150,011**	**$ 2,785,813**	**$ 136,517**	**$ 141,368**

DISCRETE COMPONENT UNIT

Long-term liability activity for the years ended June 30, 2019 and 2018 is summarized as follows:

	Balance as of July 1, 2017	Additions/ Transfers	Reductions	Balance as of June 30, 2018	Additions/ Transfers	Reductions	Balance as of June 30, 2019	Current Portion as of June 30, 2018	Current Portion as of June 30, 2019
VALLEY MEDICAL CENTER *(Dollars in thousands)*									
LIMITED TAX GENERAL OBLIGATION BONDS	$ 238,359	$ –	$ 8,509	$ 229,850	$111,580	$ 10,235	$ 331,195	$ 8,260	$ 8,350
REVENUE BONDS	14,318	–	1,725	12,593	–	1,820	10,773	1,870	1,960
BUILD AMERICA BONDS	61,155	–	–	61,155	–	61,155	–	–	–
NOTES PAYABLE & OTHER	5,555	561	244	5,872	1,402	318	6,956	78	240
TOTAL LONG-TERM LIABILITIES	**$ 319,387**	**$ 561**	**$ 10,478**	**$ 309,470**	**$112,982**	**$ 73,528**	**$ 348,924**	**$ 10,208**	**$ 10,550**

NOTE 10:

Leases

Future minimum lease payments under capital leases, and the present value of the net minimum lease payments as of June 30 2019, are as follows:

CAPITAL LEASES

Year *(Dollars in thousands)*	Future Payments
2020	$ 2,383
2021	2,118
2022	1,896
2023	1,494
2024	119
TOTAL MINIMUM LEASE PAYMENTS	8,010
LESS: AMOUNT REPRESENTING INTEREST COSTS	359
PRESENT VALUE OF MINIMUM PAYMENTS	**$ 7,651**

OPERATING LEASES

The University has entered into certain lease agreements that are considered to be operating leases, primarily for leased building space. For the years ended June 30, 2019 and 2018, the University recorded rent expense of $89.9 million and $87.5 million, respectively, for these leases.

Future lease payments as of June 30, 2019 are as follows:

Year *(Dollars in Thousands)*	
2020	$ 79,502
2021	67,778
2022	58,767
2023	51,196
2024	36,325
2025-2029	103,765
2030-2034	50,179
2035-2039	56,001
2040-2044	64,783
2045-2049	74,928
2050-2054	86,685
2055-2059	111,549
2060-2064	79,392
TOTAL MINIMUM LEASE PAYMENTS	**$ 920,850**

NOTE 11:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2019 consist of state of Washington General Obligation and Refunding Bonds, University Revenue Bonds, and Notes Payable. These obligations have fixed interest rates ranging from 1.55% to 8.00%. As of June 30, 2019, substantially all of the University's debt was public debt. Amounts from direct borrowings and direct placements were not material. Debt service requirements as of June 30, 2019 were 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**
2020	$ 10,275	$ 3,824	$ 63,014	$ 104,242	$ 6,886	$ 814
2021	10,765	3,305	66,640	101,362	21,071	623
2022	11,230	2,753	69,685	98,194	2,848	468
2023	11,790	2,162	69,345	97,858	1,252	354
2024	12,300	1,556	68,965	94,646	1,278	302
2025 – 2029	25,030	2,004	377,725	418,903	3,632	905
2030 – 2034	–	–	380,060	325,543	2,293	198
2035 – 2039	–	–	428,960	229,038	247	17
2040 – 2044	–	–	495,565	112,504	–	–
2045 – 2049	–	–	187,531	40,027	–	–
TOTAL PAYMENTS	**$ 81,390**	**$ 15,604**	**$ 2,207,490**	**$ 1,622,317**	**$ 39,507**	**$ 3,681**

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 ACTIVITY

On February 7, 2019, the University issued $100.0 million in General Revenue & Refunding Bonds, 2019A, at a premium of $8.1 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 Life Sciences building and the Northwest Hospital Childbirth Center. In addition, proceeds were used to pay off $100.0 million in commercial paper. The 2019A bonds have a coupon rate of 5.00% 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 8.00%. 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 years with final maturity on May 1, 2048.

On February 15, 2018, the University issued $133.8 million in General Revenue & Refunding Bonds, 2018, at a premium of $22.8 million. The proceeds were used to fund various projects such as Phase 4A of the Housing Master Plan, and construction of the Life Sciences Building. In addition, proceeds were used to pay off $125.9 million in commercial paper. The 2018 bonds have a coupon rate of 5.00%. The average life of the 2018 General Revenue Bonds is 15.6 years with final maturity on April 1, 2048.

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, 2019 and 2018, the University had $25.0 million and $90.0 million, respectively, in outstanding commercial paper.

During fiscal year 2019, the University issued $60.0 million of commercial paper debt. The University refunded $100.0 million of commercial paper debt with General Revenue Bonds, series 2019A, and repaid $25.0 million of commercial paper debt with University funds during the same period.

During fiscal year 2018, the University issued $178.0 million of commercial paper debt. The University refunded $125.9 of commercial paper debt with General Revenue Bonds, Series 2018, and repaid $6.1 million with University funds and $23.0 million with state appropriated funds during the same period.

SUBSEQUENT DEBT ACTIVITY

On September 12, 2019, the University issued $15.0 million of commercial paper debt. The proceeds will be used to fund a portion of the Destination: One project.

CREDIT LINE

As of June 30, 2019 and 2018, the University had a master financing agreement with JPMorgan Chase Bank to serve as a non-revolving credit line (LOC) for the financing of short-term assets, including personal property, to be drawn on from time to time in an aggregate amount not to exceed $30.0 million. Outstanding borrowings on the credit line as of June 30, 2019 and 2018 totaled $5.1 million and $7.1 million, respectively.

NOTE 12:

Deferred Outflows and Deferred Inflows of Resources

The composition of deferred outflows and deferred inflows of resources as of June 30, 2019 and 2018 are summarized as follows:

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

2019	Pensions	OPEB	Split-Interest Agreements	Other	Total
DEFERRED OUTFLOWS OF RESOURCES	$ 310,096	$ 72,092	$ –	$ 31,875	$ 414,063
DEFERRED INFLOWS OF RESOURCES	311,507	535,079	46,483	–	893,069
2018	**Pensions**	**OPEB**	**Split-Interest Agreements**	**Other**	**Total**
DEFERRED OUTFLOWS OF RESOURCES	$ 189,227	$ 24,771	$ –	$ 30,043	$ 244,041
DEFERRED INFLOWS OF RESOURCES	248,192	223,156	44,975	–	516,323

NOTE 13:

Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2019 and 2018 are summarized as follows:

OPERATING EXPENSES *(Dollars in thousands)*	2019	2018
INSTRUCTION	$ 1,320,209	$ 1,267,799
RESEARCH	748,976	785,223
PUBLIC SERVICE	65,741	48,916
ACADEMIC SUPPORT	540,359	511,931
STUDENT SERVICES	54,351	51,950
INSTITUTIONAL SUPPORT	225,471	251,569
OPERATION & MAINTENANCE OF PLANT	252,024	201,101
SCHOLARSHIPS & FELLOWSHIPS	155,158	149,378
AUXILIARY ENTERPRISES	553,511	494,956
MEDICAL-RELATED	1,775,995	1,711,969
DEPRECIATION/AMORTIZATION	372,435	384,004
TOTAL OPERATING EXPENSES	**$ 6,064,230**	**$ 5,858,796**

Instruction

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

Research

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

Public Service

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

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

Academic Support

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

Student Services

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

Institutional Support

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

Operation and Maintenance of Plant

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

Scholarships and Fellowships

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

Auxiliary Enterprises

Auxiliary enterprises furnish goods or services to students, faculty, staff or the general public. These units charge a fee directly related to the cost of the goods or services. A distinguishing characteristic of an auxiliary enterprise is that it operates as a self-supporting activity. The activities of the University's Intercollegiate Athletics, Commuter Services and Housing and Food Services departments are included in this category.

Medical-related

The medical-related category includes all expenses associated with patient-care operations, including nursing and other professional services, general services, administrative services, and fiscal services. The activities of UWMC, UWP, NWH, Airlift Northwest and Neighborhood Clinics are included in this category.

Depreciation/Amortization

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

NOTE 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 a ten-year term and may be renewed by the parties for two successive ten-year terms.

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, 2019, the University's financial statements included accounts receivable from HMC of $39.9 million, HMC investments of $4.1 million and current accrued liabilities and long-term liabilities of $39.9 million and $23.8 million, respectively, related to HMC. As of June 30, 2018, the University's financial statements included accounts receivable from HMC of $32.5 million, HMC investments of $3.8 million and current accrued liabilities and long-term liabilities of $32.6 million and $29.7 million, respectively, related to HMC.

Under an annual agreement, HMC provides strategic funding to Neighborhood Clinics. Funding from HMC to Neighborhood Clinics was $12.4 million and $11.3 million during fiscal years 2019 and 2018, 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 $23.8 million and $29.7 million at June 30, 2019 and 2018, 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 2019 and 2018, the UWF transferred $153.5 million and $132.5 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 $4.2 million and $4.0 million from the University in support of its operations in fiscal years 2019 and 2018, 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, and is administered by the University.

As of June 30, 2019 and 2018, the University's share of the total unfunded liability associated with the defined-benefit pension plans administered by the DRS was $549.4 million and $772.4 million, respectively. As of June 30, 2019 and 2018, the liability associated with the defined benefit pension plan administered by the University was $594.0 million and $412.5 million, respectively, but does not reflect assets segregated in a separate investment account to pay future retiree benefits of $327.7 million and $261.1 million, respectively. For the years ended June 30, 2019 and 2018, total pension expense recorded by the University related to both the DRS and University plans was $50.8 million and $92.3 million, respectively.

PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION

Public Employees' Retirement System

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

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

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.

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 include duty and nonduty disability payments, an optional cost-of-living allowance, and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

PERS Plan 2/3 and TRS Plan 2/3

PERS Plan 2/3 and TRS Plan 2/3 provide 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 duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index) capped at 3% annually, and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

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.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index) capped at 3% annually, and a one-time duty-related death benefit if the member is found eligible by the Washington State Department of Labor and Industries.

FIDUCIARY NET POSITION

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

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

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

ACTUARIAL ASSUMPTIONS

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

The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (OSA). The University's 2019 pension liabilities are based on an OSA valuation performed as of June 30, 2017, with the results rolled forward to the measurement date of June 30, 2018. Likewise, the University's 2018 pension liabilities are based on a valuation performed as of June 30, 2016, with the results rolled forward to the measurement date of June 30, 2017. The following actuarial assumptions have been applied to all prior periods included in the measurement:

2019	
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%

2018	
INFLATION	3.0% TOTAL ECONOMIC INFLATION, 3.75% SALARY INFLATION
SALARY INCREASE	EXPECTED TO GROW BY PROMOTIONS AND LONGEVITY IN ADDITION TO SALARY INFLATION ASSUMPTION OF 3.75%
INVESTMENT RATE OF RETURN	7.50%

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the 2007-2012 Experience Study Report and the 2015 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

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 rates of return of 7.40% and 7.50% as of June 30, 2018 and 2017, respectively, 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:

	2019 *(Measurement Date 2018)*		2018 *(Measurement Date 2017)*	
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%	1.70%	20.00%	1.70%
TANGIBLE ASSETS	7.00%	4.90%	5.00%	4.90%
REAL ESTATE	18.00%	5.80%	15.00%	5.80%
GLOBAL EQUITY	32.00%	6.30%	37.00%	6.30%
PRIVATE EQUITY	23.00%	9.30%	23.00%	9.30%

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

DISCOUNT RATE

The discount rate used to measure the total pension liabilities as of June 30, 2019 and 2018 was 7.40% and 7.50%, respectively. 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% and 7.50% future investment rate of return on pension plan investments was assumed as of June 30, 2018 and 2017, respectively. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liability for PERS 1 and TRS 1, respectively, as provided for in chapter 41.45 of the RCW).

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

The following table presents the University's proportionate net pension liabilities calculated using the discount rates of 7.40% and 7.50% as of June 30, 2018 and 2017, respectively, as well as what the net pension liabilities 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)*

	2019			2018		
Plan	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
PERS 1	$ 450,287	$ 366,403	$ 293,743	$ 487,796	$ 400,426	$ 324,746
PERS 2/3	800,058	174,913	(337,635)	980,851	364,073	(141,285)
TRS 1	8,826	7,061	5,534	7,555	6,076	4,795
TRS 2/3	6,642	1,066	(3,464)	6,099	1,796	(1,699)
LEOFF 2	(610)	(4,590)	(7,837)	648	(2,995)	(5,963)

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 and required contributions for each DRS plan in which the University participates for the years ended June 30:

(Dollars in Thousands)	PERS 1	PERS 2/3[a]	TRS 1	TRS 2/3[a]	LEOFF 2
2019					
CONTRIBUTION RATE	12.70%	12.70%	15.20%	15.20%	8.93%
CONTRIBUTIONS MADE	$ 57,744	$ 83,159	$ 1,244	$ 1,290	$ 427
2018					
CONTRIBUTION RATE	12.70%	12.70%	15.20%	15.20%	8.93%
CONTRIBUTIONS MADE	$ 54,839	$ 79,047	$ 1,006	$ 1,053	$ 392

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

UNIVERSITY PROPORTIONATE SHARE

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the University as of June 30, 2019 was June 30, 2018. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2018 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, 2018 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension liabilities recorded by the University as of June 30, 2018 was June 30, 2017, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2017 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, 2019	8.20%	10.24%	0.24%	0.24%	0.23%
YEAR ENDED JUNE 30, 2018	8.44%	10.48%	0.20%	0.19%	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:

(Dollars in Thousands)	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2019						
NET PENSION LIABILITY	$ 366,403	$ 174,913	$ 7,061	$ 1,066	$ –	$ 549,443
NET PENSION ASSET	–	–	–	–	4,590	4,590
2018						
NET PENSION LIABILITY	$ 400,426	$ 364,073	$ 6,076	$ 1,796	$ –	$ 772,371
NET PENSION ASSET	–	–	–	–	2,995	2,995

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, 2019	$ 20,434	$ (830)	$ 2,035	$ 822	$ (455)	$ 22,006
YEAR ENDED JUNE 30, 2018	23,229	55,060	1,747	927	(144)	80,819

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in thousands)*	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2019						
CHANGE IN ASSUMPTIONS	$ –	$ 2,046	$ –	$ 18	$ 3	$ 2,067
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	–	21,440	–	501	246	22,187
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	–	–	–	1,155	–	1,155
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [(a)]	57,744	83,159	1,244	1,290	427	143,864
TOTAL	**$ 57,744**	**$ 106,645**	**$ 1,244**	**$ 2,964**	**$ 676**	**$ 169,273**
2018						
CHANGE IN ASSUMPTIONS	$ –	$ 3,867	$ –	$ 21	$ 4	$ 3,892
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	–	36,889	–	448	132	37,469
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	–	10,216	–	1,038	276	11,530
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [(b)]	54,839	79,047	1,005	1,053	392	136,336
TOTAL	**$ 54,839**	**$ 130,019**	**$ 1,005**	**$ 2,560**	**$ 804**	**$ 189,227**

(a) Recognized as a reduction of the net pension liability as of June 30, 2020
(b) Recognized as a reduction of the net pension liability as of June 30, 2019

DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*						
2019	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 14,561	$ 107,335	$ 302	$ 901	$ 803	$ 123,902
CHANGE IN ASSUMPTIONS	–	49,779	–	428	659	50,866
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	–	30,624	–	79	107	30,810
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	–	3,086	–	–	42	3,128
TOTAL	**$ 14,561**	**$ 190,824**	**$ 302**	**$ 1,408**	**$ 1,611**	**$ 208,706**
2018						
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 14,943	$ 97,053	$ 257	$ 650	$ 672	$ 113,575
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	–	11,974	–	92	114	12,180
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	–	–	–	–	239	239
TOTAL	**$ 14,943**	**$ 109,027**	**$ 257**	**$ 742**	**$ 1,025**	**$ 125,994**

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**
2020	$ 637	$ (15,371)	$ 30	$ 261	$ (132)	$ (14,575)
2021	(3,183)	(36,038)	(63)	14	(252)	(39,522)
2022	(9,551)	(66,352)	(215)	(346)	(515)	(76,979)
2023	(2,464)	(24,982)	(54)	(31)	(166)	(27,697)
2024	–	(9,658)	–	96	(52)	(9,614)
THEREAFTER	–	(14,937)	–	272	(245)	(14,910)
TOTAL	**$ (14,561)**	**$ (167,338)**	**$ (302)**	**$ 266**	**$ (1,362)**	**$ (183,297)**

(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, 2019 and 2018 was 17,528 and 16,815, 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, 2019 and 2018 were $126.0 million and $122.8 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. The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP.

NUMBER OF PARTICIPANTS	June 30, 2019	June 30, 2018
ACTIVE EMPLOYEES	6,132	7,046
INACTIVE EMPLOYEES RECEIVING BENEFITS	853	696
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	188	4

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, 2019 and 2018 were $7.5 million and $6.1 million, respectively.

TOTAL PENSION LIABILITY (TPL)

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, the University reports the total UWSRP pension liability. This is different from the DRS plans (PERS, TRS, and LEOFF2), which have trusted assets and, therefore, are reported as a net pension liability. As of June 30, 2019 and 2018, the University had set aside $327.7 million and $261.1 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.

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY (TPL) *(Dollars in thousands)*	
BALANCE AS OF JULY 1, 2017	**$ 438,753**
SERVICE COST	14,788
INTEREST ON TPL	16,127
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(33,952)
CHANGE IN ASSUMPTIONS	(17,105)
BENEFIT PAYMENTS	(6,130)
BALANCE AS OF JUNE 30, 2018	**412,481**
SERVICE COST	11,823
INTEREST ON TPL	16,277
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	102,713
CHANGE IN ASSUMPTIONS	58,228
BENEFIT PAYMENTS	(7,482)
BALANCE AS OF JUNE 30, 2019	**$ 594,040**

The June 30, 2019 TPL is based on an actuarial valuation performed as of June 30, 2018 using the entry age actuarial cost method. Update procedures performed by the Office of the State Actuary were used to roll forward the TPL to the measurement date of June 30, 2019.

The June 30, 2018 TPL is based on an actuarial valuation performed as of June 30, 2016 using the entry age actuarial cost method. Update procedures performed by the Office of the State Actuary were used to roll forward the TPL to the measurement date of June 30, 2018.

UWSRP pension expense for the years ended June 30, 2019 and 2018 was $28.8 million and $11.5 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 TPL as of June 30:

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

	2019	2018
INFLATION	2.75%	2.75%
SALARY CHANGES	4.25%	4.25%
SOURCE OF MORTALITY ASSUMPTIONS	RP-2000 COMBINED HEALTHY TABLE, WITH GENERATIONAL MORTALITY IMPROVEMENTS USING SCALE BB	RP-2000 COMBINED HEALTHY TABLE, WITH GENERATIONAL MORTALITY IMPROVEMENTS USING SCALE BB
DATE OF EXPERIENCE STUDY	APRIL 2016	APRIL 2016
DISCOUNT RATE	3.50%	3.87%
SOURCE OF DISCOUNT RATE	BOND BUYER'S 20 BOND INDEX AS OF 6/30/2019	BOND BUYER'S 20 BOND INDEX AS OF 6/30/2018
TPL MEASUREMENT AT DISCOUNT RATE	$ 594,040	$ 412,481
TPL DISCOUNT RATE INCREASED 1%	$ 518,334	$ 361,760
TPL DISCOUNT RATE DECREASED 1%	$ 685,507	$ 473,624

Material assumptions changes during the measurement period ending June 30, 2019 included updating the GASB 73 discount rate from 3.87% to 3.50% and updated investment assumptions ("Change in assumption" which both increased the TPL). Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income", were less than expected and salary growth exceeded expectations ("Difference between expected and actual experience" which also increased the TPL).

Material assumption changes during the measurement period ending June 30, 2018 included updating the GASB 73 discount rate from 3.58% to 3.87% ("Change in assumption" which decreased the TPL). Additionally, actual returns for CREF investments were higher than expected ("Difference between expected and actual experience" which also decreased the TPL).

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)*		
2019		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	89,874
CHANGE IN ASSUMPTIONS		50,949
TOTAL	**$**	**140,823**

DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*		
2019		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	72,181
CHANGE IN ASSUMPTIONS		30,620
TOTAL	**$**	**102,801**
2018		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	85,844
CHANGE IN ASSUMPTIONS		36,354
TOTAL	**$**	**122,198**

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(Dollars in thousands)*		
Year		
2020	$	721
2021		721
2022		721
2023		721
2024		721
THEREAFTER		34,417
TOTAL	**$**	**38,022**

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 annually. The dollar amount of the explicit subsidy increased to $168 per member per month beginning in calendar year 2019. It was set at $150 per member per month for the first half of fiscal year 2019 and for all of fiscal year 2018.

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:

NUMBER OF PARTICIPANTS	2019 *(Measurement Date: 2018)*	2018 *(Measurement Date: 2017)*
ACTIVE EMPLOYEES	33,070	32,648
INACTIVE EMPLOYEES RECEIVING BENEFITS	8,995	8,626
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	1,600	1,612

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:

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

	2019	2018
INFLATION	2.75%	3.00%
HEALTHCARE COST TREND	TREND RATE ASSUMPTIONS VARY SLIGHTLY BY MEDICAL PLAN. INITIAL RATE IS APPROXIMATELY 8.00%, REACHING AN ULTIMATE RATE OF APPROXIMATELY 4.50% IN 2080.	TREND RATE ASSUMPTIONS VARY SLIGHTLY BY MEDICAL PLAN. INITIAL RATE IS APPROXIMATELY 7.00%, REACHING AN ULTIMATE RATE OF APPROXIMATELY 5.00% IN 2080.
SALARY INCREASE	3.50% PLUS SERVICE-BASED SALARY INCREASES	3.75%, PLUS SERVICE-BASED SALARY INCREASES
SOURCE OF MORTALITY ASSUMPTIONS	RP-2000 COMBINED HEALTHY TABLE AND COMBINED DISABLED TABLE, WITH FUTURE IMPROVEMENTS IN MORTALITY PROJECTED USING 100 PERCENT SCALE BB AND UPDATED BASED ON RESULTS OF THE 2007-2012 EXPERIENCE STUDY REPORT	RP-2000 COMBINED HEALTHY TABLE AND COMBINED DISABLED TABLE, WITH FUTURE IMPROVEMENTS IN MORTALITY PROJECTED USING 100 PERCENT SCALE BB AND UPDATED BASED ON RESULTS OF THE 2007-2012 EXPERIENCE STUDY REPORT
DATE OF EXPERIENCE STUDY	2007-2012 EXPERIENCE STUDY REPORT	2007-2012 EXPERIENCE STUDY REPORT
DISCOUNT RATE	3.87%	3.58%
SOURCE OF DISCOUNT RATE	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/18 (MEASUREMENT DATE)	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/17 (MEASUREMENT DATE)
POST-RETIREMENT PARTICIPATION PERCENTAGE	65.00%	65.00%
TOL MEASUREMENT AT DISCOUNT RATE	$1,354,177	$1,565,213
TOL DISCOUNT RATE INCREASED 1%	$1,136,776	$1,298,594
TOL DISCOUNT RATE DECREASED 1%	$1,632,819	$1,909,753
TOL MEASUREMENT AT HEALTHCARE COST TREND RATE	$1,354,177	$1,565,213
TOL HEALTHCARE COST TREND RATE INCREASED 1%	$1,676,694	$1,968,827
TOL HEALTHCARE COST TREND RATE DECREASED 1%	$1,111,648	$1,264,476

Material assumption changes during the measurement periods ending June 30, 2018 and 2017 include updating the forecasts of healthcare cost trends, as well as updating the discount rates, as required by GASB 75.

CHANGES IN THE TOTAL OPEB LIABILITY

The TOL for the state of Washington as of June 30, 2019 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2018. The TOL for the state of Washington as of June 30, 2018 was determined by an actuarial valuation, conducted by the OSA, using data as of January 1, 2017. The measurement dates for the TOL reported at June 30, 2019 and 2018 are the same as the valuation dates. 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 26.7% and 26.9% as of June 30, 2019 and 2018, respectively.

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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*	
BALANCE AS OF JULY 1, 2017	**$ 1,685,909**
SERVICE COST	106,112
INTEREST ON TOL	49,703
CHANGE IN ASSUMPTIONS	(242,454)
BENEFIT PAYMENTS	(25,330)
CHANGE IN PROPORTIONATE SHARE	(8,727)
BALANCE AS OF JUNE 30, 2018	**1,565,213**
SERVICE COST	84,665
INTEREST ON TOL	58,207
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	53,132
CHANGE IN ASSUMPTIONS	(370,652)
BENEFIT PAYMENTS	(24,584)
CHANGE IN PROPORTIONATE SHARE	(11,804)
BALANCE AS OF JUNE 30, 2019	**$ 1,354,177**

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)*	**OPEB**
YEAR ENDED JUNE 30, 2019	$ 78,429
YEAR ENDED JUNE 30, 2018	127,921

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*	
2019	**OPEB**
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$ 47,228
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY	24,864
TOTAL	**$ 72,092**
2018	
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY	$ 24,771

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*	
2019	**OPEB**
CHANGE IN ASSUMPTIONS	$ 516,622
CHANGE IN PROPORTIONATE SHARE	18,457
TOTAL	**$ 535,079**
2018	
CHANGE IN ASSUMPTIONS	$ 215,515
CHANGE IN PROPORTIONATE SHARE	7,641
TOTAL	**$ 223,156**

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	**OPEB**
2020	$ (64,443)
2021	(64,443)
2022	(64,443)
2023	(64,443)
2024	(64,443)
THEREAFTER	(165,636)
TOTAL	**$ (487,851)**

(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, 2019 and 2018 were $240.1 million and $105.9 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, aviation 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, general, employment practices, automobile liability, and information security and privacy protection, the University maintains a program of self-insurance reserves and excess insurance coverage. The self-insurance reserve represents the estimated ultimate cost of settling 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, 2019 and 2018 are noted below:

(Dollars in thousands)	**2019**	**2018**
RESERVE AT BEGINNING OF FISCAL YEAR	$ 112,210	$ 78,484
INCURRED CLAIMS AND CHANGES IN ESTIMATES	22,178	42,033
CLAIM PAYMENTS	(34,225)	(8,307)
RESERVE AT END OF FISCAL YEAR	**$ 100,163**	**$ 112,210**

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 maintains 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 Centers for Medicare and Medicaid Services (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. CMS has informed UW Medical Center that unless an acceptable plan of correction is in place by January 30, 2020, UW Medical Center's Medicare provider agreement could be terminated. CMS has discretion to extend that termination date. UW Medical Center is cooperating with CMS and has submitted a Plan of Correction (the Plan) in response to the CMS survey and is taking steps to comply with the components of the Plan. CMS is currently reviewing the proposed Plan. When CMS approves the Plan, UW Medicine management will take necessary actions to comply with that Plan so UW Medical Center continues to participate in the Medicare program.

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, 2019**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
ASSETS						
TOTAL CURRENT ASSETS	$ 1,574,437	$ (30,590)	$ 1,416,508	$ 188,519	$ 162,599	$ 25,920
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	5,899,218	(160,934)	5,878,493	181,659	161,037	20,622
CAPITAL ASSETS, NET	4,935,336	(2,168)	4,474,035	463,469	115,013	348,456
TOTAL ASSETS	12,408,991	(193,692)	11,769,036	833,647	438,649	394,998
DEFERRED OUTFLOWS OF RESOURCES	414,063	–	408,100	5,963	5,963	–
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 12,823,054**	**$ (193,692)**	**$ 12,177,136**	**$ 839,610**	**$ 444,612**	**$ 394,998**
LIABILITIES						
TOTAL CURRENT LIABILITIES	$ 1,166,208	$ (6,956)	$ 1,046,772	$ 126,392	$ 99,033	$ 27,359
TOTAL NONCURRENT LIABILITIES	5,185,451	(175,686)	4,818,269	542,868	175,097	367,771
TOTAL LIABILITIES	6,351,659	(182,642)	5,865,041	669,260	274,130	395,130
DEFERRED INFLOWS OF RESOURCES	893,069	–	893,069	–	–	–
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,244,728	(182,642)	6,758,110	669,260	274,130	395,130
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,489,083	–	2,377,810	111,273	107,648	3,625
RESTRICTED:						
NONEXPENDABLE	1,877,816	–	1,875,467	2,349	2,349	–
EXPENDABLE	2,192,163	–	2,191,489	674	674	–
UNRESTRICTED	(980,736)	(11,050)	(1,025,740)	56,054	59,811	(3,757)
TOTAL NET POSITION	5,578,326	(11,050)	5,419,026	170,350	170,482	(132)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 12,823,054**	**$ (193,692)**	**$ 12,177,136**	**$ 839,610**	**$ 444,612**	**$ 394,998**

(Dollars in thousands) **Statements of Net Position – June 30, 2018**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
ASSETS						
TOTAL CURRENT ASSETS	$ 1,486,002	$ (24,968)	$ 1,315,967	$ 195,003	$ 161,358	$ 33,645
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	5,586,225	(133,929)	5,537,440	182,714	157,842	24,872
CAPITAL ASSETS, NET	4,979,731	–	4,503,524	476,207	115,728	360,479
TOTAL ASSETS	12,051,958	(158,897)	11,356,931	853,924	434,928	418,996
DEFERRED OUTFLOWS OF RESOURCES	244,041	–	237,148	6,893	6,893	–
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$12,295,999**	**$ (158,897)**	**$11,594,079**	**$ 860,817**	**$ 441,821**	**$ 418,996**
LIABILITIES						
TOTAL CURRENT LIABILITIES	$ 1,266,712	$ (8,099)	$ 1,139,878	$ 134,933	$ 97,011	$ 37,922
TOTAL NONCURRENT LIABILITIES	5,416,187	(146,270)	5,040,769	521,688	145,217	376,471
TOTAL LIABILITIES	6,682,899	(154,369)	6,180,647	656,621	242,228	414,393
DEFERRED INFLOWS OF RESOURCES	516,323	–	516,323	–	–	–
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,199,222	(154,369)	6,696,970	656,621	242,228	414,393
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,483,814	–	2,362,957	120,857	106,672	14,185
RESTRICTED:						
NONEXPENDABLE	1,721,927	–	1,719,547	2,380	2,380	–
EXPENDABLE	2,128,692	–	2,128,081	611	611	–
UNRESTRICTED	(1,237,656)	(4,528)	(1,313,476)	80,348	89,930	(9,582)
TOTAL NET POSITION	5,096,777	(4,528)	4,897,109	204,196	199,593	4,603
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$12,295,999**	**$ (158,897)**	**$11,594,079**	**$ 860,817**	**$ 441,821**	**$ 418,996**

(Dollars in thousands)

Statements of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2019	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	$ 1,052,222	$ –	$ 1,052,222	$ –	$ –	$ –
PATIENT SERVICES	2,135,733	(27,632)	1,475,975	687,390	687,390	–
GRANT REVENUE	1,041,103	–	1,041,103	–	–	–
OTHER OPERATING REVENUE	1,256,160	(114,732)	1,252,882	118,010	66,453	51,557
TOTAL OPERATING REVENUES	**5,485,218**	**(142,364)**	**4,822,182**	**805,400**	**753,843**	**51,557**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	5,691,795	(107,027)	5,000,164	798,658	776,318	22,340
DEPRECIATION / AMORTIZATION	372,435	–	335,556	36,879	16,754	20,125
TOTAL OPERATING EXPENSES	**6,064,230**	**(107,027)**	**5,335,720**	**835,537**	**793,072**	**42,465**
OPERATING INCOME (LOSS)	**(579,012)**	**(35,337)**	**(513,538)**	**(30,137)**	**(39,229)**	**9,092**
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	378,656	–	378,656	–	–	–
GIFTS	165,831	–	165,204	627	627	–
INVESTMENT INCOME	339,878	(2,761)	335,087	7,552	7,552	–
OTHER NONOPERATING REVENUES (EXPENSES)	(28,345)	33,576	(47,132)	(14,789)	(962)	(13,827)
NET NONOPERATING REVENUES (EXPENSES)	**856,020**	**30,815**	**831,815**	**(6,610)**	**7,217**	**(13,827)**
INCOME BEFORE OTHER REVENUES	**277,008**	**(4,522)**	**318,277**	**(36,747)**	**(32,012)**	**(4,735)**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	69,057	(2,000)	68,156	2,901	2,901	–
GIFTS TO PERMANENT ENDOWMENTS	135,484	–	135,484	–	–	–
TOTAL OTHER REVENUES	**204,541**	**(2,000)**	**203,640**	**2,901**	**2,901**	**–**
INCREASE IN NET POSITION	**481,549**	**(6,522)**	**521,917**	**(33,846)**	**(29,111)**	**(4,735)**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	5,096,777	(4,528)	4,897,109	204,196	199,593	4,603
NET POSITION – END OF YEAR	**$ 5,578,326**	**$ (11,050)**	**$ 5,419,026**	**$ 170,350**	**$ 170,482**	**$ (132)**

(Dollars in thousands)

Statements of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2018	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	$ 989,912	$ –	$ 989,912	$ –	$ –	$ –
PATIENT SERVICES	2,008,317	(8,362)	1,331,023	685,656	685,656	–
GRANT REVENUE	1,409,321	–	1,409,321	–	–	–
OTHER OPERATING REVENUE	764,250	(123,249)	740,306	147,193	76,613	70,580
TOTAL OPERATING REVENUES	**5,171,800**	**(131,611)**	**4,470,562**	**832,849**	**762,269**	**70,580**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	5,474,792	(99,445)	4,827,842	746,395	727,133	19,262
DEPRECIATION / AMORTIZATION	384,004	–	351,293	32,711	18,132	14,579
TOTAL OPERATING EXPENSES	**5,858,796**	**(99,445)**	**5,179,135**	**779,106**	**745,265**	**33,841**
OPERATING INCOME (LOSS)	**(686,996)**	**(32,166)**	**(708,573)**	**53,743**	**17,004**	**36,739**
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	362,267	–	362,267	–	–	–
GIFTS	166,721	–	165,910	811	811	–
INVESTMENT INCOME	404,412	(2,895)	398,948	8,359	8,359	–
OTHER NONOPERATING REVENUES (EXPENSES)	(20,796)	35,977	(45,389)	(11,384)	(572)	(10,812)
NET NONOPERATING REVENUES (EXPENSES)	**912,604**	**33,082**	**881,736**	**(2,214)**	**8,598**	**(10,812)**
INCOME BEFORE OTHER REVENUES	**225,608**	**916**	**173,163**	**51,529**	**25,602**	**25,927**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	168,972	(360)	168,871	461	461	–
GIFTS TO PERMANENT ENDOWMENTS	95,890	–	95,890	–	–	–
TOTAL OTHER REVENUES	**264,862**	**(360)**	**264,761**	**461**	**461**	**–**
INCREASE IN NET POSITION	**490,470**	**556**	**437,924**	**51,990**	**26,063**	**25,927**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	4,606,307	(5,084)	4,459,185	152,206	173,530	(21,324)
NET POSITION – END OF YEAR	**$ 5,096,777**	**$ (4,528)**	**$ 4,897,109**	**$ 204,196**	**$ 199,593**	**$ 4,603**

(Dollars in thousands) **Statements of Cash Flows – Year Ended June 30, 2019**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	$ (358,045)	$ –	$ (403,400)	$ 45,355	$ 36,020	$ 9,335
NONCAPITAL FINANCING ACTIVITIES	689,981	–	714,786	(24,805)	(24,805)	–
CAPITAL AND RELATED FINANCING ACTIVITIES	(386,652)	–	(351,348)	(35,304)	(20,269)	(15,035)
INVESTING ACTIVITIES	(3,904)	–	(8,272)	4,368	2,894	1,474
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(58,620)**	**–**	**(48,234)**	**(10,386)**	**(6,160)**	**(4,226)**
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	144,136	–	90,366	53,770	47,220	6,550
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 85,516**	**$ –**	**$ 42,132**	**$ 43,384**	**$ 41,060**	**$ 2,324**

(Dollars in thousands) **Statements of Cash Flows – Year Ended June 30, 2018**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	$ (227,517)	$ –	$ (241,349)	$ 13,832	$ 21,701	$ (7,869)
NONCAPITAL FINANCING ACTIVITIES	642,933	–	629,142	13,791	13,791	–
CAPITAL AND RELATED FINANCING ACTIVITIES	(478,612)	–	(423,927)	(54,685)	(17,160)	(37,525)
INVESTING ACTIVITIES	143,297	–	93,158	50,139	(277)	50,416
NET INCREASE IN CASH AND CASH EQUIVALENTS	**80,101**	**–**	**57,024**	**23,077**	**18,055**	**5,022**
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	64,035	–	33,342	30,693	29,165	1,528
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 144,136**	**$ –**	**$ 90,366**	**$ 53,770**	**$ 47,220**	**$ 6,550**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

(Dollars in thousands)	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.20%	8.44%	8.46%	8.33%	8.28%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 366,403	$ 400,426	$ 454,341	$ 435,853	$ 417,231
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 1,074,943	$ 1,043,335	$ 987,405	$ 927,002	$ 882,215
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	34.09%	38.38%	46.01%	47.02%	47.29%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	63.22%	61.24%	57.03%	59.10%	61.19%

(Amounts determined as of the measurement date)

PERS 1 – SCHEDULE OF CONTRIBUTIONS

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

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	10.24%	10.48%	10.36%	10.20%	10.00%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 174,913	$ 364,073	$ 521,777	$ 364,303	$ 202,225
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 1,062,415	$ 1,027,338	$ 967,955	$ 904,661	$ 856,839
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	16.46%	35.44%	53.91%	40.27%	23.60%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	95.77%	90.97%	85.82%	89.20%	93.29%

(Amounts determined as of the measurement date)

PERS 2/3 – SCHEDULE OF CONTRIBUTIONS

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

(Amounts determined as of the fiscal year end)

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

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

(Amounts determined as of the measurement date)

TRS 1 – SCHEDULE OF CONTRIBUTIONS

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

(Amounts determined as of the fiscal year end)

Unaudited – see accompanying notes to financial statements

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

(Dollars in thousands)	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.24%	0.19%	0.15%	0.12%	0.08%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 1,066	$ 1,796	$ 2,077	$ 969	$ 252
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 13,664	$ 10,669	$ 7,507	$ 5,367	$ 3,391
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	7.80%	16.83%	27.67%	18.05%	7.43%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	96.88%	93.14%	88.72%	92.48%	96.81%

(Amounts determined as of the measurement date)

TRS 2/3 – SCHEDULE OF CONTRIBUTIONS

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

(Amounts determined as of the fiscal year end)

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

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

(Amounts determined as of the measurement date)

LEOFF 2 – SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 436	$ 400	$ 348	$ 384	$ 303
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 435	$ 403	$ 352	$ 384	$ 300
CONTRIBUTION DEFICIENCY (EXCESS)	$ 1	$ (3)	$ (4)	$ –	$ 3
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 4,882	$ 4,487	$ 4,061	$ 4,474	$ 3,534
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	8.93%	8.91%	8.57%	8.58%	8.57%

(Amounts determined as of the fiscal year end)

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (UWSRP)
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY (TPL)

(Dollars in thousands)	2019	2018	2017
TOTAL PENSION LIABILITY – BEGINNING	$ 412,481	$ 438,753	$ 512,372
SERVICE COST	11,823	14,788	19,892
INTEREST ON TPL	16,277	16,127	15,097
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	102,713	(33,952)	(74,919)
CHANGE IN ASSUMPTIONS	58,228	(17,105)	(28,553)
BENEFIT PAYMENTS	(7,482)	(6,130)	(5,136)
TOTAL PENSION LIABILITY – ENDING	**$ 594,040**	**$ 412,481**	**$ 438,753**
UWSRP COVERED-EMPLOYEE PAYROLL	$ 787,384	$ 759,688	$ 801,161
TOTAL PENSION LIABILITY AS PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	75.44%	54.30%	54.76%

Unaudited – see accompanying notes to financial statements

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*

	2019	2018
TOTAL OPEB LIABILITY – BEGINNING	$ 1,565,213	$ 1,685,909
SERVICE COST	84,665	106,112
INTEREST ON TOL	58,207	49,703
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	53,132	–
CHANGE IN ASSUMPTIONS	(370,652)	(242,454)
BENEFIT PAYMENTS	(24,584)	(25,330)
CHANGE IN PROPORTIONATE SHARE	(11,804)	(8,727)
TOTAL OPEB LIABILITY – ENDING	**$ 1,354,177**	**$ 1,565,213**
OPEB COVERED-EMPLOYEE PAYROLL	$ 2,493,991	$ 2,529,127
TOTAL OPEB LIABILITY AS PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	54.30%	61.89%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

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, 2015 valuation date, completed in the fall of 2016, determines the ADC for the period beginning July 1, 2017, and ending June 30, 2019.

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 instance, for the period beginning July 1, 2017 and ending June 30, 2019, the contribution rates that the Pension Funding Council adopted, which the Legislature did not change, reflect a phasing in of the increase to contribution rates that resulted from a change to the mortality assumption. This is the second of three biennia over which this increase is expected to be phased-in for PERS 1, PERS 2/3, TRS 1, and TRS 2/3.

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

Plans administered by the University

The University of Washington Supplemental Retirement Plan has no assets accumulated in a trust that meets the criteria in GASB Statement No. 73, paragraph 4 to pay related benefits.

Material assumption changes during the fiscal year 2019 measurement period include updating the GASB 73 discount rate from 3.87% to 3.50% ("Change in assumption" which increased the TPL). Additionally, CREF investment experience during fiscal year 2019 was slightly lower than expected (4.97 percent actual return). Lower investment experience than expected leads to an increase in the TPL. TIAA investment experience only slightly deviated from OSA's assumption. Based on input from TIAA, OSA modified the TIAA settlement rates, settlement mortality, and increased the CREF investment return assumptions ("Difference between expected and actual experience" which also increased the TPL).

Material assumption changes during the fiscal year 2018 measurement period include updating the GASB 73 discount rate from 3.58% to 3.87% ("Change in assumption" which decreased the TPL). Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income", were materially higher during the measurement period at 12.32% versus the assumed return of 6.25% ("Difference between expected and actual experience" which 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 during the fiscal year 2018 measurement period relate to an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.58% for the June 30, 2017 measurement date, to 3.87% for the June 30, 2018 measurement date. Other material assumption changes included lowering the forecast of future healthcare cost trends. Both of these resulted in a decrease in the TOL.

Material assumption changes during the fiscal year 2017 measurement period relate to an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 2.85% for the June 30, 2016 measurement date, to 3.58% for the June 30, 2017 measurement date.

This publication was prepared by UW Finance. Published November 2019.

The 2019 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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UNIVERSITY *of*
WASHINGTON

APPENDIX C

FORMS OF BOND COUNSEL OPINIONS

2020A Bonds

March 17, 2020

University of Washington
Seattle, Washington

BofA Securities, Inc.
Seattle, Washington

Goldman Sachs & Co. LLC
Seattle, Washington

Academy Securities, Inc.
New York, New York

Citigroup Global Markets Inc.
New York, New York

Re: University of Washington, General Revenue Bonds, 2020A - $51,000,000

Ladies and Gentlemen:

We have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the University of Washington (the "University") of its General Revenue Bonds, 2020A, in the aggregate principal amount of $51,000,000 (the "2020A Bonds"). The 2020A Bonds are issued pursuant to a resolution of the Board of Regents of the University adopted on July 11, 2019, as amended on February 13, 2020 (together the "Resolution"). Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Resolution.

The 2020A Bonds are subject to redemption prior to their scheduled maturities as set forth in the Official Statement dated March 6, 2020. The University has not designated the 2020A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code").

Regarding questions of fact material to our opinion, we have relied on representations of the University in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The 2020A Bonds have been legally issued and constitute valid and binding obligations of the University, except to the extent that the enforcement of the rights and remedies of the owners of the 2020A Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors.

2. The 2020A Bonds are special fund obligations of the University. Both principal of and interest on the 2020A Bonds are payable solely from General Revenues and the money and investments deposited to a special fund of the University known as the General Revenue Bond Redemption Fund, 2020 created pursuant to the Resolution

(the "Bond Fund"). The University has obligated and bound itself to set aside and pay into the Bond Fund out of General Revenues amounts sufficient to pay the principal of and interest on the 2020A Bonds as the same become due. The 2020A Bonds are equally and ratably payable, without preference, priority or distinction because of date of issue or otherwise, from General Revenues. The University has reserved the right to issue Additional Bonds payable from General Revenues and has previously issued, and is issuing, other General Revenue obligations.

3. Interest on the 2020A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the University comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the 2020A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The University has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the 2020A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2020A Bonds.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2020A Bonds, or the amount, accrual or receipt of interest on, the 2020A Bonds. Owners of the 2020A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2020A Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2020A Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the University to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,
PACIFICA LAW GROUP LLP

2020B Bonds

March 17, 2020

University of Washington
Seattle, Washington

BofA Securities, Inc.
Seattle, Washington

Goldman Sachs & Co. LLC
Seattle, Washington

Academy Securities, Inc.
New York, New York

Citigroup Global Markets Inc.
New York, New York

Re: University of Washington, General Revenue Bonds, 2020B (Taxable) - $51,000,000

Ladies and Gentlemen:

We have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the University of Washington (the "University") of its General Revenue Bonds, 2020B (Taxable), in the aggregate principal amount of $51,000,000 (the "2020B Bonds"). The 2020B Bonds are issued pursuant to a resolution of the Board of Regents of the University adopted on July 11, 2019, as amended on February 13, 2020 (together the "Resolution"). Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Resolution.

The 2020B Bonds are subject to redemption prior to their scheduled maturities as set forth in the Official Statement dated March 6, 2020.

Regarding questions of fact material to our opinion, we have relied on representations of the University in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The 2020B Bonds have been legally issued and constitute valid and binding obligations of the University, except to the extent that the enforcement of the rights and remedies of the owners of the 2020B Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors.

2. The 2020B Bonds are special fund obligations of the University. Both principal of and interest on the Bonds are payable solely from General Revenues and the money and investments deposited to a special fund of the University known as the General Revenue Bond Redemption Fund, 2020 created pursuant to the Resolution (the "Bond Fund"). The University has obligated and bound itself to set aside and pay into the Bond Fund out of General Revenues amounts sufficient to pay the principal of and interest on the 2020B Bonds as the same become due. The 2020B Bonds are equally and ratably payable, without preference, priority or distinction because of date of

issue or otherwise, from General Revenues. The University has reserved the right to issue Additional Bonds payable from General Revenues and has previously issued, and is issuing, other General Revenue obligations.

3. Interest on the 2020B Bonds is not intended to be excludable from gross income for federal income tax purposes.

We express no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2020B Bonds, or the amount, accrual or receipt of interest on, the 2020B Bonds. Owners of the 2020B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2020B Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2020B Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the University to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,
PACIFICA LAW GROUP LLP

2020C Bonds (Delayed Delivery Bonds)

February 9, 2021

University of Washington
Seattle, Washington

BofA Securities, Inc.
Seattle, Washington

Goldman Sachs & Co. LLC
Seattle, Washington

Academy Securities, Inc.
New York, New York

Citigroup Global Markets Inc.
New York, New York

Re: University of Washington, General Revenue Refunding Bonds, 2020C (Delayed Delivery Bonds) - $117,815,000

Ladies and Gentlemen:

We have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the University of Washington (the "University") of its General Revenue Refunding Bonds, 2020C (Delayed Delivery Bonds), in the aggregate principal amount of $117,815,000 (the "2020C Bonds"). The Bonds are issued pursuant to a resolution of the Board of Regents of the University adopted on July 11, 2019, as amended on February 13, 2020 (together the "Resolution"). Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Resolution.

The 2020C Bonds are subject to redemption prior to their scheduled maturities as set forth in the Official Statement dated March 6, 2020. The University has not designated the 2020C Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code").

Regarding questions of fact material to our opinion, we have relied on representations of the University in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The 2020C Bonds have been legally issued and constitute valid and binding obligations of the University, except to the extent that the enforcement of the rights and remedies of the owners of the 2020C Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors.

2. The 2020C Bonds are special fund obligations of the University. Both principal of and interest on the Bonds are payable solely from General Revenues and the money and investments deposited to a special fund of the University known as the General Revenue Bond Redemption Fund, 2020 created pursuant to the Resolution (the "Bond Fund"). The University has obligated and bound itself to set aside and pay into the Bond Fund out of General Revenues amounts sufficient to pay the principal of and interest on the 2020C Bonds as the same become

due. The 2020C Bonds are equally and ratably payable, without preference, priority or distinction because of date of issue or otherwise, from General Revenues. The University has reserved the right to issue Additional Bonds payable from General Revenues and has previously issued, and is issuing, other General Revenue obligations.

3. Interest on the 2020C Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the University comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the 2020C Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The University has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the 2020C Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2020C Bonds.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2020C Bonds, or the amount, accrual or receipt of interest on, the 2020C Bonds. Owners of the 2020C Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2020C Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2020C Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the University to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,
PACIFICA LAW GROUP LLP

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The following information has been provided by DTC. The University makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Direct Participants (as hereinafter defined). Language in [brackets] with ~~strike-through~~ has been deleted as permitted by DTC as it does not pertain to the Bonds.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [~~each issue of~~] the Securities, [~~each~~] in the aggregate principal amount of such issue, and will be deposited with DTC. [~~If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.~~]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[~~9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.~~]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Undertaking (the "Undertaking") dated as of March 17, 2020, is hereby made by the University of Washington (the "University") in connection with the issuance of its General Revenue Bonds, 2020A, General Revenue Refunding Bonds, 2020B (Taxable) and General Revenue Refunding Bonds, 2020C (Delayed Delivery Bonds) (collectively the "Bonds") pursuant to a resolution of the University adopted on July 11, 2019 as amended on February 13, 2020 (together the "Resolution").

The University covenants and agrees as follows:

SECTION 1. Purpose of the Undertaking. This Undertaking is being executed and delivered by the University for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report shall mean any Annual Report provided by the University pursuant to, and as described in, Sections 3 and 4 of this Undertaking.

Beneficial Owner shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Dissemination Agent shall mean the University, or any successor Dissemination Agent designated in writing by the University and which has filed with the University a written acceptance of such designation.

Financial Obligation means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Holders shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

Notice Event shall mean any of the following events:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue service of proposed or final determines of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material or events affecting the tax status of the Bonds;
7. Modifications to the rights of Bond Owners, if material;
8. Optional, contingent or unscheduled calls of any Bonds other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the University;

13. The consummation of a merger, consolidation, or acquisition of the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an action, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of the trustee, if material;

15. Incurrence of a Financial Obligation of the University, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the University, any of which affect Bond holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the University, any of which reflect financial difficulties.

Official Statement shall mean the Official Statement dated March 6, 2020, with respect to the Bonds.

Participating Underwriter shall mean any of the original purchaser or underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

State shall mean the State of Washington.

SECTION 3. Provision of Annual Reports.

(a) The University shall, or shall cause the Dissemination Agent to, not later than seven months after the end of the University's Fiscal Year (presently January 31, 2021, for the Fiscal Year ended June 30, 2020), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Undertaking; provided that the audited financial statements of the University may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. The University may adjust such Fiscal Year by providing written notice of the change of Fiscal Year to the MSRB.

(b) Not later than fifteen (15) Business Days prior to said date, the University shall provide the Annual Report to the Dissemination Agent (if other than the University). If the University is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the University shall send a notice to the MSRB stating that the University is unable to provide the Annual Report by the date required in subsection (a), and stating when the University expects to provide the Annual Report.

(c) If the Dissemination Agent is not the University, the Dissemination Agent shall file a report with the University certifying that the Annual Report has been provided pursuant to this Undertaking and stating the date it was provided.

SECTION 4. Content of Annual Reports. The University's Annual Report shall contain or include by reference (without duplication) the following:

1. 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. If the University's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Updates to the following financial and operating data of the University to the extent the updates are not included in the audited financial statements provided under subsection 1:

- The amount of University revenue and other debt outstanding in that Fiscal Year.

- 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.

- Information regarding the number of faculty and tenure rate for that Fiscal Year, generally of the type provided in the table entitled "Faculty Data."

- 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."

- 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).

- 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.

- Grant and contract revenues for that Fiscal Year, and amount or percentage of grant and contract revenues from federal sources.

- Information regarding the amount or percentage of revenues from Medicare or Medicaid payments in that Fiscal Year.

- Operating expenses by type of expenditure in that Fiscal Year.

- Expenditures of State capital and operating appropriations to the University for that Fiscal Year, generally of the type provided in the table entitled "Expenditures of State Appropriations to the University by Type."

- Patient activity statistics 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).

- 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).

- Value of investments, including operating fund investments and the Consolidated Endowment Fund ("CEF"), for that Fiscal Year.

- A narrative description of any material changes to the University's investment policy or CEF distribution policy during that Fiscal Year.

- Gift revenue for that Fiscal Year.

- University revenue by source for that Fiscal Year, generally of the type provided in the chart titled "University Total Revenue by Source, Fiscal Year 2019."

- Total University expenditures by category for that Fiscal Year.

- 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."

- 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")."

- Amount of the University's self-insurance reserve, generally of the type presented under the heading "LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION—Risk Management."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the University or related public entities, which are available to the public on the MSRB's internet website. The University shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Notice Events. The University shall give, or cause to be given, notice of the occurrence of any Notice Event with respect to the Bonds not in excess of ten business days after the occurrence of the Notice Event.

SECTION 6. Termination of Reporting Obligation. The University's obligations under this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the University shall give notice of such termination in the same manner as for a Notice Event.

SECTION 7. Dissemination Agent. The University may, from time to time, appoint or engage a successor Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such successor Dissemination Agent, with or without appointing another successor Dissemination Agent. The successor Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the University pursuant to this Undertaking.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Undertaking, the University may amend this Undertaking, and any provision of this Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Undertaking, the University shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the University. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Undertaking shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Undertaking. If the University chooses to include any information in any Annual Report in addition to that which is specifically required by this Undertaking, the University shall have no obligation under this Undertaking to update such information or include it in any future Annual Report.

SECTION 10. Default. In the event of a failure of the University to comply with any provision of this Undertaking, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the University to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed a default under the Resolution, and the sole remedy under this Undertaking in the event of any failure of the University to comply with this Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Undertaking shall inure solely to the benefit of the University, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. EMMA; Format for Filing with the MSRB. Until otherwise designated by the MSRB or the Securities and Exchange Commission, any filing required to be made with the MSRB under this Undertaking is to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at www.emma.msrb.org (which website is not incorporated herein). All notices, financial information and operating data required by this Undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this Undertaking must be accompanied by identifying information as prescribed by the MSRB.

UNIVERSITY OF WASHINGTON

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Authorized Signer

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