UNIVERSITY of WASHINGTON

2022 FINANCIAL REPORT

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University Facts

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

1. Prior to 2018, this number represents headcount for core faculty (Professorial, Instructional and Research). Starting in 2018, this number represents full time faculty from all campuses including the Medical Centers.
2. Full time equivalents – restated (historically) using centralized data source and enterprise definitions
3. Includes discrete component units (Fred Hutchinson Cancer Center in 2022 only)
4. Net of scholarship allowances of $189.1 million in 2022, $159.2 million in 2017 and $133.2 million in 2012
5. Stated at fair value
6. Gross square footage, all campuses

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Independent Auditors' Report

The Board of Regents
University of Washington:

Opinions

We have audited the financial statements of the business-type activities, the fiduciary activities, and the aggregate discretely presented component units of the University of Washington (the University), which comprise the statements of net position and statements of fiduciary net position as of June 30, 2022 and 2021, and the related statements of revenue, expenses and changes in net position, statements of changes in fiduciary net position, and, where applicable, statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the years then ended.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary activities, and the aggregate discretely presented component units of the University, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Emphasis of Matters

Reporting Entity

As discussed in note 1 to the financial statements, the financial statements of the University, an agency of the state of Washington, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Washington that is attributable to the transactions of the University of Washington and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in note 1 to the financial statements, in fiscal year 2022, the University adopted the provisions of Governmental Accounting Standard Board (GASB) Statements No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 6 through 18 and the schedules of required supplementary information on pages 74 through 80 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The University Facts included under the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subject to the auditing procedures applied in the audit of the basic financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

KPMG LLP

Seattle, Washington
October 28, 2022

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Management's Discussion & Analysis

The discussion and analysis below provides an overview of the financial position and activities of the University of Washington ("University") for the fiscal years ended June 30, 2022 and 2021, with comparative financial information for 2020. This discussion has been prepared by management, and since it includes highly summarized data, should be read in conjunction with the financial statements and accompanying notes to financial statements that follow this section.

Financial Highlights for Fiscal Year 2022

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

Key Financial Results

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

Operating Revenues

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

Operating Expenses

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

Nonoperating Revenues

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

COVID-19

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

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

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

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

Changes in Accounting Standards

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

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

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

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

Changes in Reporting

Formation of Fred Hutchinson Cancer Center

On March 31, 2022, the members of the Seattle Cancer Care Alliance (SCCA): the University, Fred Hutchinson Cancer Research Center (Fred Hutch), and Seattle Children's Healthcare System (SCHS) agreed to merge Fred Hutch and SCCA; for SCCA to become a non-member non-profit Washington corporation, and for SCCA to be renamed Fred Hutchinson Cancer Center (FHCC). As part of the transaction, SCHS's interest of $286 million was purchased by the University and Fred Hutch with funding provided by Fred Hutch. SCHS no longer participates in the Adult Oncology Program but continues to offer pediatric cancer care services and to coordinate through separate affiliation agreements with FHCC and UW Medicine. The University entered into a promissory note to pay FHCC over a ten-year period for its 50% portion of the SCHS membership in SCCA.

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

Presentation of Metropolitan Tract

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

Change in Accounting Estimate

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

Using the Financial Statements

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

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

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

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

Financial Health

STATEMENTS OF NET POSITION

A summarized comparison of the University's assets, liabilities, deferrals and net position as of June 30, 2022, 2021 and 2020 is shown below:

Summarized Statements of Net Position

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

Current assets include those that may be used to support current operations, and consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Current liabilities generally are due and payable over the course of the following fiscal year, and include accounts payable and other accrued liabilities, unearned revenues, and the current portion of long-term liabilities such as debt. The excess of current assets over current liabilities of $1,069 million in 2022, and $1,068 million in 2021, reflects the continuing ability of the University to meet its short-term obligations.

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

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

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

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

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

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

Endowment and Other Investments

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

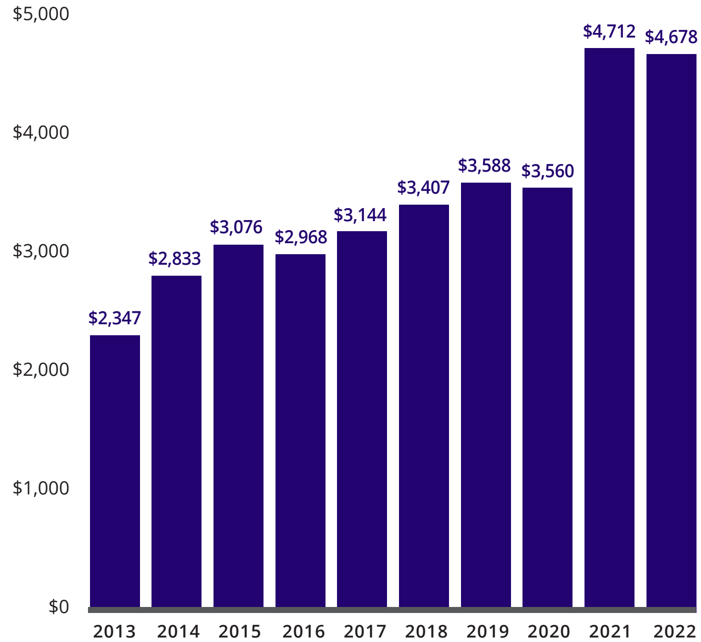
The University of Washington Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the Chief Investment Officer, carries out the day-to-day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

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

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

Consolidated Endowment Fund Market Value

(in millions)



In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units, starting with a 4.9% spending rate in fiscal year 2020, 4.7% in fiscal year 2021, and then reaching 4.5% in fiscal year 2022. Quarterly distributions to programs are based on an annual percentage rate of 3.6%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for an administrative fee of 0.90% supporting campus-wide fundraising and stewardship activities and offsetting the internal cost of managing endowment assets.

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

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

Capital Improvements

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

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

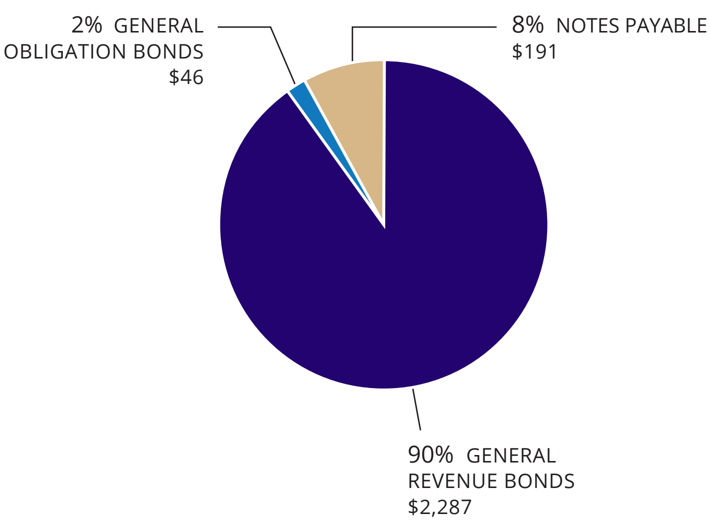
See note 8 for additional information regarding capital asset activity.

Debt

The University's Debt Management Policy governs the type and amount of debt the University may incur. The policy is designed to maintain access to capital markets and to minimize the cost of capital.

The University's debt portfolio consists primarily of fixed-rate debt in the form of General Revenue Bonds, Lease Revenue Bonds and state-issued General Obligation Bonds. As of June 30, 2022, the University had $2.5 billion of bonds and notes payable outstanding, an increase of 5.4% from June 30, 2021.

Bonds and Notes Payable
(in millions)



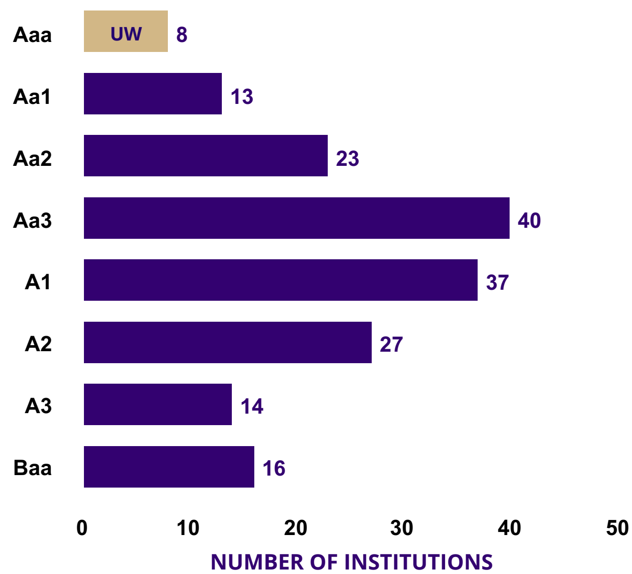
In March 2022, the University issued $75 million of tax-exempt General Revenue Bonds, 2022A with an all-in true interest cost of 2.18%. Proceeds will be used to fund UW Medicine Small-Works projects and the Montlake Campus Membrane Repair project. Additionally, the University issued $209 million of taxable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

The University has a $250 million commercial paper program, which is typically used to fund project expenditures until long-term funding is secured. As of June 30, 2022, there was $70 million in commercial paper outstanding.

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

During fiscal year 2022, Moody's (Aaa, Stable) and Standard & Poor's (AA+, Stable) reaffirmed the University's credit ratings. The University's short-term credit ratings were also affirmed at P-1 (Moody's) and A-1+ (Standard & Poor's).

Moody's Fiscal Year 2021
Public College and University Rating Distribution
(As of the June 2022 Moody's Median Report)



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

See note 9 for additional information regarding debt and other long-term liabilities.

Net Position

The difference between total assets and deferred outflows, and total liabilities and deferred inflows, is referred to as net position or "equity". Over time, the change in net position is one indicator of the improvement or decline in the University's overall financial health when considered with nonfinancial factors such as enrollment, research awards, patient levels, and the condition of facilities.

The University reports its "equity" in four categories:

- Net Investment in Capital Assets – This is the University's total investment in capital assets, net of accumulated depreciation and amortization and outstanding debt obligations related to those capital assets.
- Restricted Net Position:
  - Nonexpendable net position, primarily endowments, represents gifts to the University's permanent endowment funds. These are funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditure, but rather for investment purposes only, in order to produce income that is to be expended for the purposes specified.
  - Expendable net position consists of resources that the University is legally or contractually obligated to spend in accordance with time or purpose restrictions placed by donors and/or other external parties, and includes the net appreciation of permanent endowments.
- Unrestricted Net Position – This is all other funds available to the University for any purpose associated with its mission. Unrestricted net position is not subject to externally imposed stipulations, but often is internally designated for specific purposes.

The University's net position at June 30, 2022, 2021 and 2020 is summarized as follows:

Categories of Net Position

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

Net investment in capital assets increased $90 million, or 3%, in 2022. This balance typically increases as debt is repaid, or when the University funds fixed asset purchases without the use of external financing, for example by using internal reserves. This balance decreases as assets are depreciated. The increase in this category of net position in 2021 resulted primarily from the presentation change regarding the Metropolitan Tract ($116 million reclassification from "restricted expendable net position").

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

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

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

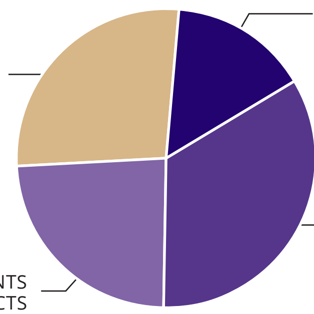
Operating Results

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

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

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

Sources of Funds



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

Revenues from All Sources

(in millions)	2022		2021		2020	
Net patient services	$ 2,443	34%	$ 2,208	26%	$ 2,093	31%
Grants and contracts	1,757	24%	1,628	20%	1,555	23%
Tuition and fees, net	1,125	15%	1,033	12%	1,058	16%
Auxiliary enterprises	542	7%	309	4%	420	6%
Sales and services of educational departments	511	7%	463	6%	283	4%
State funding for operations	485	7%	481	6%	415	6%
Gifts	345	5%	332	4%	452	7%
State funding for capital projects	128	2%	70	1%	23	—%
Investment income (loss)	(452)	(6)%	1,318	16%	209	3%
Other	384	5%	543	5%	277	4%
Total revenue - all sources	**$ 7,268**	**100%**	**$ 8,385**	**100%**	**$ 6,785**	**100%**

Unaudited – see accompanying notes to financial statements

Patient Services–UW Medicine

The financial statements of the University include the operations of the School of Medicine (SOM), two medical centers, an associated physician practice group, 14 free standing clinics, an emergency air transport service and the University's share of three joint ventures. These entities, together with Harborview Medical Center (not included in the University's financial statements – see note 15) and shared services providing IT, accounting, financial services and human resources comprise UW Medicine. UW Medicine is governed and administered as an enterprise of the University whose mission is to improve the health of the public. UW Medicine advances this mission through work in patient care, medical education of physicians and other healthcare providers, and research.

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

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

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

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

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

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

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

Joint Ventures - The University is also a participant in three joint ventures: Seattle Cancer Care Alliance (until March 31, 2022), Children's University Medical Group and Embright, LLC. The University's share of these activities is reflected in the University's financial statements.

UW Medicine Shared Services is comprised of a number of functions within the University, established for the purpose of providing scalable administrative and information technology (IT) support services for UW Medicine. These functions include UW Medicine IT Services (ITS), UW Medicine Revenue Cycle, UW Medicine Finance and Accounting, UW Medicine Supply Chain, and UW Medicine Contracting.

In combination, these organizations (not including VMC or FHCC) contributed $2.4 billion in net patient services revenue in fiscal year 2022, compared with $2.2 billion in fiscal year 2021, an increase of $235 million, or 11%, primarily due to increased volumes and higher acuity. UWMC generated 75% of this revenue in 2022 and 78% in 2021. UWMC admissions were 27,583 in 2022 compared with 27,320 in 2021, an increase in admissions of 1%. Surgeries declined 5% for UWMC compared to 2021. The cancellation of non-emergent and elective procedures in 2022, as directed by the Governor of the state of Washington in response to the COVID-19 pandemic, did not occur in 2021 and is the primary reason for the decrease in surgery volumes during the year.

Grant and Contract Revenue

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

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

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

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

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

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

Primary Nongrant Funding Sources

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

Operating Support for Instruction

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

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

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

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

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

Gifts, Endowments and Investment Revenues

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

Net Investment Income

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

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

Gifts are a key and necessary source of support for a variety of purposes, including current operating activities. Gifts support scholarships and research, capital improvements, and are used to fund permanent endowments for various academic and research purposes. Current use gifts increased $3 million in 2022, but

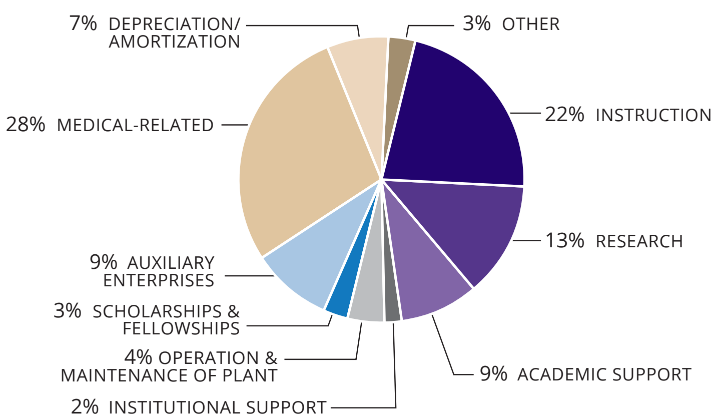
Unaudited – see accompanying notes to financial statements

decreased $5 million in 2021. Capital gifts decreased $15 million in 2022 and decreased $117 million in 2021, driven by $125 million of support received from the Bill & Melinda Gates Foundation in 2020 to benefit the University's Population Health Initiative. Gifts to permanent endowments increased $25 million in 2022, compared to an increase of $2 million in 2021.

Expenses

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

Uses of Funds



A comparative summary of the University's expenses by functional classification (purpose for which the costs are incurred) for the years ended June 30, 2022, 2021 and 2020 is shown in the table at the top of the next column.

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

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

Operating Expenses by Function

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

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

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

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

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

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

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

Economic Factors That May Affect the Future

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the University, including written or oral statements made by its representatives, may contain forward looking statements. All statements, other than statements of historical facts, which address activities, events or developments that the University expects or anticipates will or may occur in the future contain forward-looking information. In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The University does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

STATE OPERATING AND CAPITAL APPROPRIATIONS

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

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

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

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

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

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

UW MEDICINE

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

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

Reimbursement for patient services from federal, state and private insurance payors continues to be a concern as healthcare costs continue to rise. There is continued downward pressure on average realized payment rates from commercial payor plans and a reduction in the number or percentage of UW Medicine's patients under such plans. UW Medicine participates in the 340b Drug Pricing Program, which is a federal program that requires drug manufacturers provide outpatient drugs to eligible health care organizations and covered entities at significantly reduced prices. In the past couple of years, a number of manufacturers have reduced the benefits to enrolled entities through the elimination of certain drugs in contract pharmacy settings. This had led to legal action at the federal level in an attempt to reinstate previous savings. This federal action appears to be favorable but is not yet resolved and has resulted in uncertainty related to the financial impact of the 340b program in the future.

Due to these uncertainties, management cannot predict the impact on the Group's future revenues and operations.

However, UW Medicine believes that its ultimate success in increasing profitability depends in part on its success in executing on its strategies. In general, these strategies are intended to improve financial performance through the reduction of costs and streamlining how clinical care is provided, as well as mitigating the negative reimbursement trends experienced within the market. With a continued focus on patient volumes shifting from inpatient to outpatient settings due to technological advancements, and demand for care that is more convenient, affordable, and accessible as well as industry-wide migration to value-based payment models as governmental and commercial payers shift risk to providers, UW Medicine's focus is on managing costs and care efficiently.

Behavioral Health Teaching Facility at UWMC

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

UW Finance Transformation

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

Employee Benefit Costs

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

Financial Statements & Notes

STATEMENTS OF NET POSITION

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

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

See accompanying notes to financial statements
Dollars in thousands

STATEMENTS OF CASH FLOWS

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

UNIVERSITY OF WASHINGTON

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

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

JUNE 30,

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

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

YEAR ENDED JUNE 30,

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

See accompanying notes to financial statements

Dollars in thousands

NOTES TO FINANCIAL STATEMENTS

NOTE 1:

Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY

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

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

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

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

CHANGE IN REPORTING ENTITY

Formation of Fred Hutchinson Cancer Center

On March 31, 2022, the members of the Seattle Cancer Care Alliance (SCCA): the University, Fred Hutchinson Cancer Research Center (Fred Hutch), and Seattle Children's Healthcare System (SCHS) agreed to merge Fred Hutch and SCCA; for SCCA to become a non-member non-profit Washington corporation, and for SCCA to be renamed Fred Hutchinson Cancer Center (FHCC). As part of the transaction, SCHS's interest of $285.9 million was purchased by the University and Fred Hutch with funding provided by Fred Hutch. SCHS no longer participates in the Adult Oncology Program but continues to offer pediatric cancer care services and to coordinate through separate affiliation agreements with FHCC and UW Medicine. The University entered into a promissory note to pay FHCC over a ten-year period for its 50% portion of the SCHS membership in SCCA. The non-participating investment in FHCC of $429 million reflects a non-monetary exchange accounted for based on the fair value of the assets involved. Specifically, the University used the fair value of the existing equity method investment in SCCA, based on the corresponding equity interest after the buyout of SCHS and prior to the exchange, to determine the value at which the investment in FHCC is recorded. The fair value method used inputs that are "unobservable data points" related to valuation, also known as level 3 inputs (see Note 7 for fair value hierarchy). This fair value will not be remeasured, and will be assessed for impairment on an annual basis. No gain or loss was recorded on the transaction.

In addition to the restructure of the former SCCA corporate entity, the University and FHCC agreed to the Restructuring and Enhanced Collaboration Agreement (Restructuring Agreement), which clinically and financially integrates the adult cancer program between both entities. With this new arrangement, the University no longer holds a membership interest in SCCA. The University agreed to a restructuring of the SCCA joint venture; transitioning to a non-member entity, rebranding, realigning the future economic sharing arrangements, and realigning practice area management responsibilities. The University's investment in FHCC is recorded within its Statements of Net Position and reflects the integrated adult oncology program. The Restructuring Agreement includes a Financial Alignment Plan, under which both parties share in the objectives of the adult oncology program and drive site neutrality for cancer services for the betterment of patient outcomes. The University's former economic rights as a joint venture member were transformed into contractual rights including, among other provisions, a payment right extending perpetually. At June 30, 2022, the University recorded $6.7 million in financial alignment income for the last quarter of fiscal year 2022 which is included in other nonoperating revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

BLENDED COMPONENT UNITS

The following entities are presented as blended component units of the University.

Medical Entities

The Association of University Physicians dba UW Physicians (UWP)

UWP is a Washington nonprofit corporation formed in 1983 for the exclusive benefit of the University of Washington School of Medicine (SOM). UWP employs SOM faculty and bills and collects for their clinical services as an agent for SOM. UWP had operating revenues of $424.6 million and $405.0 million for the years ended June 30, 2022 and 2021, respectively.

UW Medicine Neighborhood Clinics (Neighborhood Clinics)

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

Real Estate Entities

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

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

As of June 30, 2022 and 2021, these entities had net capital assets of $295.3 million and $315.4 million, respectively, and long-term debt of $303.6 million and $321.1 million, respectively. These amounts are reflected in the University's financial statements.

Portage Bay Insurance

For medical professional liability, general liability, educator's legal liability including employment practices liability, and automobile liability, the University maintains a program of self-insurance reserves and excess insurance coverage through Portage Bay Insurance (PBI), a wholly-owned subsidiary formed to provide the University with alternative risk financing options. PBI is incorporated as a nonprofit corporation in the state of Hawaii, and retains a Certificate of Authority as a pure captive insurance company. As of June 30, 2022 and 2021, PBI had long-term debt of $241.9 million and $180.5 million, respectively.

DISCRETELY PRESENTED COMPONENT UNITS

Valley Medical Center

The University and Public Hospital District No. 1 of King County, a Washington public hospital district dba Valley Medical Center (VMC), participate in a Strategic Alliance Agreement. VMC owns and operates a 341-bed full-service acute care hospital and 45 clinics located throughout southeast King County. The audited financial statements of VMC are available by contacting VMC at 400 S. 43rd Street, Renton, Washington 98055 or online at the following address: valleymed.org/about-us/financial-information.

Fred Hutchinson Cancer Center

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

JOINT VENTURES

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

The University and Seattle Children's Healthcare System established Children's University Medical Group (CUMG) to assist the organizations in carrying out their pediatric patient care and charitable, educational and scientific missions. CUMG employs SOM faculty physicians, and bills and collects for their services as an agent for SOM. The University's patient services receivable (see note 6) as of June 30, 2022 and 2021 includes amounts due from CUMG of $19.9 million and $12.3 million, respectively.

In October 2018, the University became an equity member in PNWCIN, LLC dba Embright (Embright), a Limited Liability Company. Embright is jointly owned by the University, MultiCare Health System and LifePoint Health. As a clinically integrated network in the Pacific Northwest owned by healthcare provider organizations, Embright enables the members to partner together to further the Triple Aim of improving the patient care experience and improving the health of populations while reducing costs. Together, the members represent 14 hospitals, more than 6,500 providers and over 600 outpatient sites of care. Embright's broad geographical reach assures that patients will have access to the full continuum of care, including preventive, primary, secondary, tertiary, quaternary and post-acute care. Throughout the network, teams are also implementing evidence-based clinical protocols, care pathways, standardized processes and care management services for complex patients. As of June 30, 2022 and 2021, the University's ownership interest in Embright totaled $2.4 million and $2.2 million, respectively. The University's ownership interest in Embright is recorded in other noncurrent assets in the University's Statements of Net Position.

METROPOLITAN TRACT

The University of Washington Metropolitan Tract (Metropolitan Tract), located in downtown Seattle, comprises approximately 11 acres of developed property including office space, retail space, residential apartments, parking, and a luxury hotel. This land was the original site of the University from 1861 until 1895 when the University moved to its present location on Lake Washington. Since the early 1900s, the University has managed the Metropolitan Tract by leasing to third party tenants, and ground leasing to entities responsible for developing and operating new buildings.

Deed restrictions and subsequent Washington State legislation govern the University's authority over the Metropolitan Tract. The original land deeds require that proceeds from a sale of Metropolitan Tract property be used to purchase land and improve or erect buildings. Any remaining funds are to be invested and the income derived is to be used for maintenance of University property. The state legislature enacted further restrictions over the past 160 years requiring legislative approval for the sale of real property on the Metropolitan Tract, and for leases of land or buildings with terms exceeding eighty years. Proceeds from an authorized sale must be deposited in the University's accounts established by the state treasury and used exclusively for construction, maintenance, or alterations to University buildings or debt service related to these activities.

The Metropolitan Tract's assets, liabilities, deferred inflows and net position are shown together with the University on the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position. The presentation has changed from prior years, when the Metropolitan Tract was shown condensed to one line of each financial statement. The change in presentation resulted from the implementation of GASB Statement No. 87, "*Leases"* (discussed below), and has been applied retroactively by restating fiscal year 2021.

BASIS OF ACCOUNTING

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

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

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

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

ACCOUNTING STANDARDS IMPACTING THE FUTURE

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

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

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

In June 2022, the GASB issued Statement No. 100, *"Accounting Changes and Error Corrections,"* which will be effective for the fiscal year ending June 30, 2023. This statement is intended to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

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

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles involves management estimates that affect the reported amounts of assets, liabilities, deferrals, revenues and expenses during the reporting period. Actual results could differ from those estimates; however, the University believes that allowances, reserves and estimates of expected liabilities are adequate.

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

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

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

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

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

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

OTHER ACCOUNTING POLICIES

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

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

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

Capital Assets. Land, buildings, equipment, library materials and intangibles are stated at cost or, if acquired by gift, at fair market value at the date of the gift, less accumulated depreciation and amortization. Right of use leased assets are stated at the present value of payments expected to be made during the lease term, less accumulated amortization. Additions, replacements, major repairs and renovations are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, 5 to 7 years for equipment, 15 years for library materials, and 3 to 15 years for intangibles.

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

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

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

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

Asset Retirement Obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. AROs are measured at the current value of the estimated costs required to dispose of the asset. AROs are included in long-term liabilities on the University's Statements of Net Position (see remediation liabilities, note 9), and represent costs related to two cyclotrons used for research, clinical applications, and education. Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 246, "Department of Health". The University used the decommissioning guidance provided by the U.S. Nuclear Regulatory Commission to estimate the disposal costs. The assets identified have estimated remaining useful lives of 5 and 10 years. The University has issued a statement of intent to the Washington Department of Health to request funding from the state legislature to fund the decommissioning of these assets. The University has no assets restricted for payment of these obligations. The University has not recognized an obligation for costs that would be incurred in the event that the University relinquished its license from the Department of Health and ceased use of radioactive materials in its operations as the likelihood of this occurring is remote.

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

Single Employer Pension Plan (UW Supplemental Retirement Plan). Legislation signed into law on July 1, 2020, amended the RCW applicable to the UWSRP to define plan provisions including limits on member eligibility, benefit payments, vesting terms and contribution rates. As a result of these amendments, the University is unable to modify the terms of the plan. Administration of the benefit calculations and payments remain the responsibility of the University until the state's Pension Funding Council determines the trust has sufficient assets, at which time the Department of Retirement Systems will assume those duties in accordance with RCW 41.50.280. Other agencies of the state of Washington perform the duties of a board and hold the substantive powers in relation to the UWSRP. The University does not perform the duties of a board or hold any of the substantive powers that would make the plan a fiduciary component unit of the University.

The total pension liability is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used for the total pension liability as of June 30, 2022 and 2021, reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years. The measurement date for the UWSRP net pension liability is the same as the Statements of Net Position date.

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

Split-Interest Agreements. Under such agreements, donors make gifts to the University but the University is not the sole beneficiary and receives either a lead interest (distributions during the term of the agreement) or a remainder interest (distribution of assets remaining at the end of the agreement). Charitable trusts, charitable gift annuities, pooled income funds and beneficial interests in charitable trusts are examples of split-interest gifts. Where the University holds a remainder interest in a trust that is also administered by the University, an asset related to these agreements is recorded at fair market value, a deferred inflow is recorded for the remainder value, and a liability is recorded equal to the present value of expected future distributions to the income beneficiaries. The liability is calculated using discount rates of 8.0% for gifts before FY 2008 and 7.5% for gifts in FY 2008 and after. Additionally, donors have established and funded trusts which are administered by organizations other than the University. Under the terms of these trusts, the University has the irrevocable right to receive all or a portion of the income earned on the trust assets in perpetuity. The University does not control the assets held by the outside trusts but recognizes an interest in the trusts, based on the fair value of the assets contributed to the trusts, mostly as permanently restricted contributions. Fluctuation in the fair value of these assets are recorded annually as revenue and impact restricted nonexpendable net position.

Compensated Absences. University employees accrue annual leave at rates based on length of service, and for sick leave at the rate of one day per month. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours, or for any balance upon retirement or death. Annual leave accrued at June 30, 2022 and 2021 was $200.4 million and $198.4 million, respectively, and is included in accounts payable and accrued liabilities in the University's Statements of Net Position. Sick leave accrued at June 30, 2022 and 2021 was $58.8 million and $57.9 million, respectively, and is included in long-term liabilities (see note 9) in the University's Statements of Net Position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2:

COVID-19 Pandemic

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

NOTE 3:

Cash and Cash Equivalents

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

NOTE 4:

Deposit with State of Washington

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

NOTE 5:

Student Loans Receivable

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

NOTE 6:

Accounts Receivable

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

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

NOTE 7:

Investments

INVESTMENTS – GENERAL

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

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

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

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

TABLE 1 – INVESTMENTS *(Dollars in thousands)*

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

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

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

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

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

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

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

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

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

INVESTMENT POOLS

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

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

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units starting with a 4.9% spending rate in fiscal year 2020, 4.7% spending rate in fiscal 2021 and then reaching 4.5% in fiscal year 2022. Quarterly distributions during fiscal year 2022 to programs are based on an annual percentage rate of 3.60%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for an administrative fee to support campus-wide fundraising and stewardship activities and to offset the internal cost of managing endowment assets.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value at June 30, 2022, the net deficiency from the original gift value was $6.9 million. All endowments are recorded at the original gift value at June 30, 2021.

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

FUNDING COMMITMENTS

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

DERIVATIVE INSTRUMENTS

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

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

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

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

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

INTEREST RATE RISK

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

CREDIT RISK

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

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

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

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

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

2022

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

2021

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

*Investment Grade securities are those that are rated BBB and higher by Standard and Poor's or Baa and higher by Moody's.

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes, which can include foreign currency exposure. The University also enters into foreign currency forward contracts, futures contracts, and options to manage the foreign currency exposure. The University held non-U.S. denominated securities of $1.6 billion and $1.8 billion at June 30, 2022 and 2021, respectively.

TABLE 4 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

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

NOTE 8:

Capital Assets

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

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

NOTE 9:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

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

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

DISCRETE COMPONENT UNITS

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

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

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

NOTE 10:

Leases

LESSEE ARRANGEMENTS

The University leases land, building space and equipment from external parties for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2067 and provide for renewal options ranging from one year to twenty-five years. In accordance with GASB Statement No. 87, the University records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Amounts recognized for variable and other payments not included in the measurement of the lease liability are $85.1 million and $70.3 million as of June 30, 2022, and 2021, respectively. The University does not have any leases subject to a residual value guarantee.

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

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

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

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

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

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

LESSOR ARRANGEMENTS

The University leases building and ground space to external parties with significant activity occurring within the Metropolitan Tract (Note1). The leases expire at various dates through 2102 and provide for renewal options ranging from one year to twenty-five years. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Amounts recognized for variable and other payments not included in the measurement of the lease receivable is $24.2 million and $28.0 million as of June 30, 2022, and 2021, respectively. The University recognized revenues related to lease agreements totaling $83.4 million and $84.0 million, as of June 30, 2022, and 2021, respectively, reported in other operating revenues in the Statements of Revenue, Expenses and Change in Net Position.

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

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

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

NOTE 11:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2022 consist of state of Washington General Obligation Bonds, University General Revenue Bonds, and Notes Payable. These obligations have interest rates ranging from 0.19% to 8.00%. As of June 30, 2022, substantially all of the University's debt was publicly offered debt. Debt service requirements as of June 30, 2022 are as follows:

BONDS AND NOTES PAYABLE *(Dollars in thousands)*

	STATE OF WASHINGTON GENERAL OBLIGATION BONDS		UNIVERSITY OF WASHINGTON GENERAL REVENUE BONDS		NOTES PAYABLE AND OTHER	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2023	$ 11,475	$ 1,905	$ 72,615	$ 92,059	$ 21,815	$ 5,721
2024	11,840	1,458	71,605	90,100	21,503	6,819
2025	8,910	939	87,020	87,101	20,165	6,140
2026	5,265	525	90,565	84,008	16,754	5,457
2027	5,210	266	94,050	80,637	16,583	4,754
2028-2032	3,645	135	459,795	349,820	89,228	12,122
2033-2037	—	—	480,735	259,369	4,796	88
2038-2042	—	—	507,940	140,959	192	7
2043-2047	—	—	303,025	48,610	—	—
2048-2052	—	—	119,860	6,857	—	—
TOTAL PAYMENTS	**$ 46,345**	**$ 5,228**	**$ 2,287,210**	**$ 1,239,520**	**$ 191,036**	**$ 41,108**

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

ISSUANCE AND REFUNDING ACTIVITY

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

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

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

COMMERCIAL PAPER PROGRAM

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

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

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

CREDIT LINES

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

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

On August 13, 2020, the University entered into a Revolving Credit Agreement with U.S. Bank National Association which provides a revolving line of credit through August 12, 2022, for up to $100.0 million to be used for providing additional institutional liquidity. On September 30, 2021, the University entered into an Amended and Restated Revolving Credit Agreement with U.S. Bank National Association, which adjusted the rates from the prior agreement and extended the term through August 1, 2024. Borrowings for tax-exempt projects under the agreement bear interest at a fluctuating rate equal to 82% of the daily one-month LIBOR rate plus a margin of 0.53%; borrowings for taxable projects bear interest at a fluctuating rate equal to the daily one-month LIBOR rate plus a margin of 0.65%. The margins are subject to change depending on the University's credit rating. Amounts borrowed under the agreement are payable solely from and secured by a pledge of the University's general revenues. The University made no draws and had no outstanding cash borrowings with respect to this agreement as of June 30, 2022.

DEFEASED DEBT

The University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust (refunding escrow) to provide for all future debt service payments on the refunded bonds until called. The trust account assets and the liability for the defeased bonds are not included in the University's financial statements. As of June 30, 2022 and 2021, $414.3 million and $222.3 million of bonds outstanding, respectively, are considered defeased.

NOTE 12:

Deferred Outflows and Deferred Inflows of Resources

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

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

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

NOTE 13:

Operating Expenses by Function

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

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

NOTE 14:

Related Parties

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

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

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

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

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

UW Medicine information technology operates as a self-sustaining activity of the University (ITS department). The ITS department records enterprise-wide information technology capital assets that are purchased for use by UW Medicine entities. The HMC ITS funding reflected in long-term liabilities (see note 9) of $21.6 million and $24.3 million at June 30, 2022 and 2021, respectively, represents HMC's funding of the enterprise-wide information technology capital assets that will be included in the recharge rates of the ITS department over the useful life of the assets.

The University of Washington Foundation (UWF) is a nonprofit organization that performs fundraising activities on behalf of the University. The UWF is not included in the University's financial statements as a component unit because gifts and grants that are made to the UWF are immediately transferred to the University. In 2022 and 2021, the UWF transferred $218.6 million and $171.1 million, respectively, to the University in gifts and grants received on its behalf; these are included in the financial statements of the University. The remaining amounts retained by the UWF are not significant to the University's financial statements.

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

NOTE 15:

Pension Plans

The University offers four contributory pension plans: 1) the Washington State Public Employees' Retirement System (PERS) plan, 2) the Washington State Teachers' Retirement System (TRS) plan, 3) the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plan, and 4) the University of Washington Retirement Plan (UWRP). PERS, TRS, and LEOFF are cost sharing multiple-employer defined-benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). UWRP is a defined-contribution plan with a supplemental noncontributory defined-benefit plan component (the UWSRP) and is administered by the University.

Legislation signed into law on July 1, 2020, amended the RCW applicable to the UWSRP to define plan provisions including limits on member eligibility, benefit payments, vesting terms and contribution rates. As a result of these amendments, the University is unable to modify the terms of the plan. Administration of the benefit calculations and payments remain the responsibility of the University until the state's Pension Funding Council determines the trust has sufficient assets, at which time the DRS will assume those duties in accordance with RCW 41.50.280. The University does not perform the duties of a board or hold any of the substantive powers that would make the plan a fiduciary component unit of the University. Other agencies of the state of Washington perform the duties of a board and hold the substantive powers in relation to the UWSRP.

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

PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION

Public Employees' Retirement System

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

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

Teachers' Retirement System

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

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

Law Enforcement Officers' and Fire Fighters' Retirement System

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

VESTING AND BENEFITS PROVIDED

PERS Plan 1 and TRS Plan 1

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

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

PERS Plan 2/3 and TRS Plan 2/3

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

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

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

LEOFF Plan 2

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

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

FIDUCIARY NET POSITION

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

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

DRS publishes an annual report for retirement plans, which is available at https://www.drs.wa.gov/wp-content/uploads/2021/06/2022-ACFR.pdf

ACTUARIAL ASSUMPTIONS

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

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

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

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

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

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

The long-term expected rate of return of 7.40% as of measurement dates June 30, 2021 and 2020, approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or damper any short-term changes that are not expected over the entire 50-year measurement period.

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

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

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

DISCOUNT RATE

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

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

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE

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

DISCOUNT RATE SENSITIVITY - NET PENSION LIABILITY (ASSET) *(Dollars in thousands)*

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

EMPLOYER CONTRIBUTION RATES

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

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

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

UNIVERSITY PROPORTIONATE SHARE

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities and assets recorded by the University as of June 30, 2022 was June 30, 2021. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2021 have been used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in their June 30, 2021 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension liabilities and assets recorded by the University as of June 30, 2021 was June 30, 2020, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2020, used as the basis for determining each employer's proportionate share of the collective pension amounts. The following table presents the University's proportionate share for each DRS plan:

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

UNIVERSITY AGGREGATED BALANCES

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

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

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

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

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

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

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

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

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

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in Thousands)*

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

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

PLANS ADMINISTERED BY UNIVERSITY OF WASHINGTON

University of Washington Retirement Plan

PLAN DESCRIPTION

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

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

The number of participants in the UWRP as of June 30, 2022 and 2021 was 19,609 and 18,871, respectively.

Funding Policy

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

University of Washington Supplemental Retirement Plan

PLAN DESCRIPTION

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

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. Participant data is updated biannually in the actuarial valuations. The table below shows the number of participants in the UWSRP as of June 30, 2022 and 2021:

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

VESTING AND BENEFITS PROVIDED

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

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

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

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

EMPLOYER CONTRIBUTIONS

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

PLAN INVESTMENTS

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

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

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

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

UWSRP PENSION LIABILITY

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

As of June 30, 2022 and 2021, the University had set aside $345.3 million and $344.8 million, respectively, to pay future UWSRP retiree benefits. These assets are physically segregated in a separate investment account, and included in investments, net of current portion on the Statements of Net Position. The separate investment account was closed subsequent to June, 30, 2022 and the assets are invested in the University's Invested Funds Pool. These assets are in addition to those amounts now residing with the WSIB, which are reflected as a reduction of the TPL beginning in fiscal year 2021.

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

The components of the UWSRP liability were as follows:

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

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

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

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

ACTUARIAL ASSUMPTIONS

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

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

Material assumption changes during the measurement period ending June 30, 2022 included updating the discount rate from 7.40% to 7.00%. Material assumption changes during the measurement period ending June 30, 2021 included updating the discount rate from 2.21% to 7.40%. The source for the discount rate changed in 2021 from the bond rate required of plans with no assets, to the investment return for plans with assets, due to the change in the plan on July 1, 2020, which led to a change in the appropriate accounting guidance. Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income", were significantly lower than expected for the measurement period ending June 30, 2022, but were significantly higher than expected for the period ending June 30, 2021 (reflected as "Difference between expected and actual experience" in the Schedule of Changes in the UWSRP Liability).

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

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

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

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

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

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

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

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

NOTE 16:

Other Post Employment Benefits (OPEB)

PLAN DESCRIPTION

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

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

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

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

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

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

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

ACTUARIAL ASSUMPTIONS

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

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

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

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

CHANGES IN THE TOTAL OPEB LIABILITY

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

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

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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*		
BALANCE AS OF JULY 1, 2020	**$**	**1,541,654**
SERVICE COST		70,380
INTEREST ON TOL		58,874
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE		(9,022)
CHANGE IN ASSUMPTIONS		38,164
BENEFIT PAYMENTS		(28,031)
CHANGE IN PROPORTIONATE SHARE		83,976
OTHER		(59,968)
BALANCE AS OF JUNE 30, 2021		**1,696,027**
SERVICE COST		93,039
INTEREST ON TOL		40,211
CHANGE IN ASSUMPTIONS		17,180
BENEFIT PAYMENTS		(30,635)
CHANGE IN PROPORTIONATE SHARE		45,656
BALANCE AS OF JUNE 30, 2022	**$**	**1,861,478**

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

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

PROPORTIONATE SHARE OF OPEB EXPENSE *(Dollars in Thousands)*		
YEAR ENDED JUNE 30, 2022	$	97,356
YEAR ENDED JUNE 30, 2021		27,089

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

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

Amounts reported as deferred outflows and deferred inflows of resources will be recognized as a component of the University's OPEB expense as follows:

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in Thousands)*		
YEAR		
2023	$	(35,893)
2024		(35,893)
2025		(35,893)
2026		(35,893)
2027		(6,097)
THEREAFTER		63,146
TOTAL	**$**	**(86,523)**

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

NOTE 17:

Commitments and Contingencies

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

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

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

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

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

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

REGULATORY COMPLIANCE

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

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

NOTE 18:

Blended Component Units

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

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

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

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

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

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

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

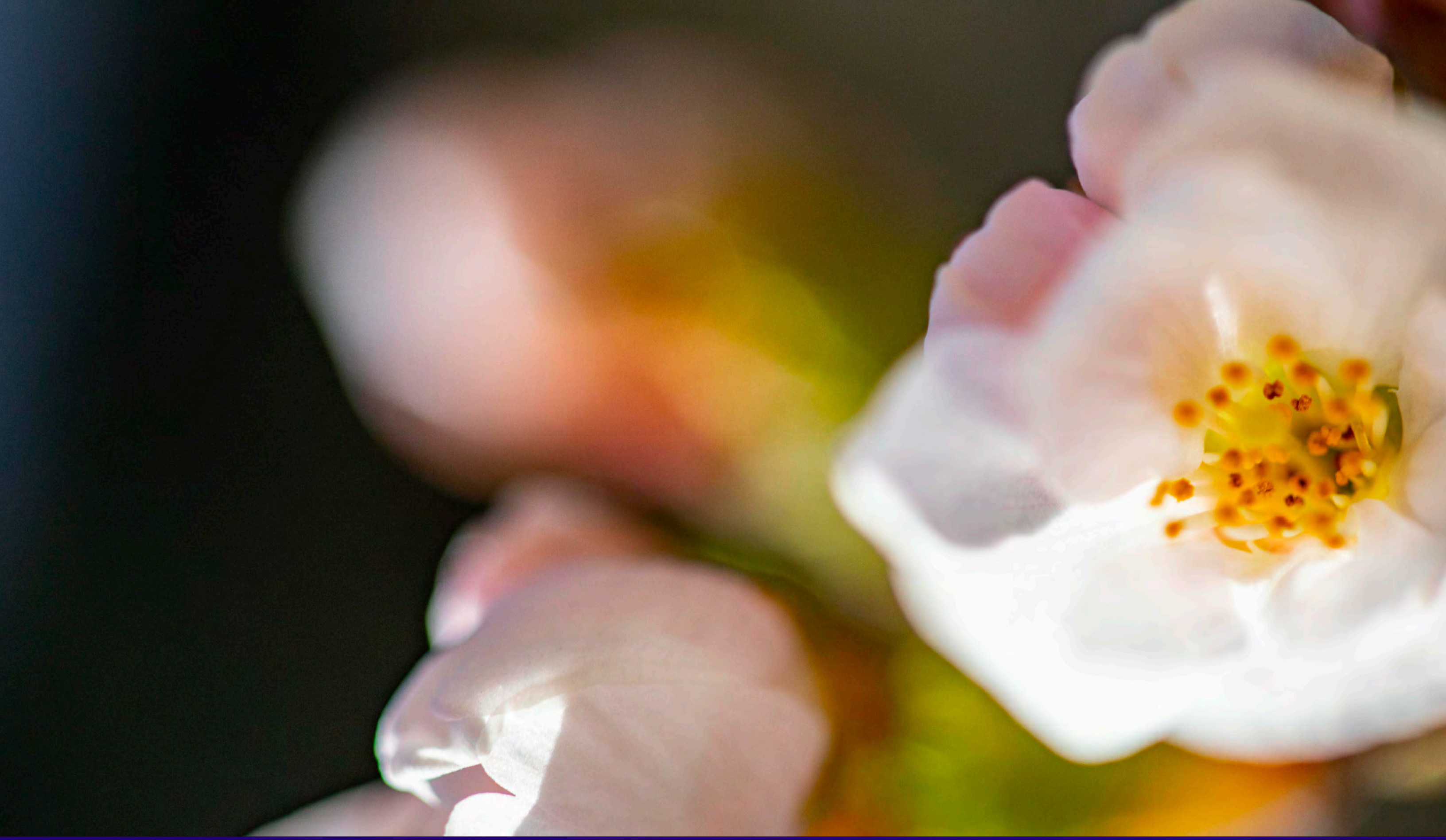
NOTE 19:

Discrete Component Units

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

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

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



Schedules of Required Supplementary Information

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

(Amounts determined as of the measurement date)

PERS 1 - SCHEDULE OF CONTRIBUTIONS

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

(Dollars in thousands)	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,582	$ 1,788	$ 2,155	$ 2,058
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,578	$ 1,769	$ 2,155	$ 2,059
CONTRIBUTION DEFICIENCY (EXCESS)	$ 4	$ 19	$ —	$ (1)
UNIVERSITY'S COVERED PAYROLL	$ 1,074,943	$ 1,043,335	$ 987,405	$ 927,002
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.15%	0.17%	0.22%	0.22%

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	11.18%	10.47%	10.18%	10.24%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY	$ (1,114,120)	$ 133,891	$ 98,901	$ 174,913
UNIVERSITY'S COVERED PAYROLL	$ 1,337,667	$ 1,220,321	$ 1,106,678	$ 1,062,415
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(83.29)%	10.97%	8.94%	16.46%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	120.29%	97.22%	97.77%	95.77%

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

(Amounts determined as of the measurement date)

PERS 2/3 - SCHEDULE OF CONTRIBUTIONS

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

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

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.35%	0.28%	0.25%	0.24%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 2,337	$ 6,800	$ 6,200	$ 7,061
UNIVERSITY'S COVERED PAYROLL	$ 25,479	$ 20,153	$ 16,677	$ 13,986
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	9.17%	33.74%	37.18%	50.49%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	91.42%	70.55%	70.37%	66.52%

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

(Amounts determined as of the measurement date)

TRS 1 - SCHEDULE OF CONTRIBUTIONS

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

(Amounts determined as of the fiscal year end)

Unaudited – see accompanying notes to financial statements

TRS 1 - SCHEDULE OF CONTRIBUTIONS (continued)

(Dollars in thousands)	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 48	$ 39	$ 38	$ 44
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 48	$ 40	$ 38	$ 42
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ (1)	$ —	$ 2
UNIVERSITY'S COVERED PAYROLL	$ 13,986	$ 10,967	$ 7,813	$ 5,790
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.34%	0.36%	0.49%	0.76%

(Amounts determined as of the fiscal year end)

TRS 2/3 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Dollars in thousands)	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.34%	0.28%	0.25%	0.24%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY	$ (9,301)	$ 4,233	$ 1,487	$ 1,066
UNIVERSITY'S COVERED PAYROLL	$ 25,124	$ 19,800	$ 16,337	$ 13,664
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(37.02)%	21.38%	9.10%	7.80%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	113.72%	91.72%	96.36%	96.88%

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

(Amounts determined as of the measurement date)

TRS 2/3 - SCHEDULE OF CONTRIBUTIONS

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

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

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION ASSET	0.18%	0.22%	0.23%	0.23%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET	$ 10,480	$ 4,535	$ 5,365	$ 4,590
UNIVERSITY'S COVERED PAYROLL	$ 4,187	$ 5,059	$ 4,882	$ 4,487
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET AS A PERCENTAGE OF ITS COVERED PAYROLL	250.30%	89.64%	109.91%	102.30%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION ASSET	142.00%	115.83%	119.43%	118.50%

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

(Amounts determined as of the measurement date)

LEOFF 2 - SCHEDULE OF CONTRIBUTIONS

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

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

(Amounts determined as of the fiscal year end)

Unaudited – see accompanying notes to financial statements

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

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

(Amounts determined as of the fiscal year end)

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

Unaudited – see accompanying notes to financial statements

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

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

Plans administered by DRS

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

Additional Considerations on ADC for All Plans:

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

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

Plans administered by the University

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

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

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

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

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

OPEB Plan administered by the Healthcare Authority of Washington State
The OPEB Plan has no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

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

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

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