2015 FINANCIAL REPORT

UNIVERSITY *of* WASHINGTON

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UNIVERSITY FACTS

	FISCAL YEAR 2015 Academic Year 2014–2015	FISCAL YEAR 2010 Academic Year 2009–2010	FISCAL YEAR 2005 Academic Year 2004–2005
STUDENTS			
Autumn Enrollment [1]			
Undergraduate	39,331	34,972	30,790
Graduate	13,333	11,996	10,309
Professional	2,006	1,913	1,797
TOTAL	**54,670**	**48,881**	**42,896**
Extension course and conference registrations	76,245	63,178	41,550
Number of Degrees Awarded			
Bachelor's	10,145	9,290	8,291
Master's	4,117	3,269	2,898
Doctoral	838	703	616
Professional	554	523	512
TOTAL	**15,654**	**13,785**	**12,317**
FACULTY [1] (Professorial, Instructional, Research)	4,561	4,169	3,623
FACULTY AND STAFF [2]	27,264	24,741	19,824
RESEARCH FUNDING – ALL SOURCES *(in thousands of dollars)*	$ 1,302,012	$ 1,421,643	$ 1,009,437
SELECTED REVENUES *(in thousands of dollars)*			
Patient Service and Other Medical-Related Revenues [3]	$2,283,022	$ 1,473,779	$ 783,624
Gifts, Grants, and Contracts	1,396,294	1,277,129	1,021,565
Tuition and Fees [4]	914,419	527,958	331,978
Auxiliary Enterprises and Other Revenues	614,185	315,363	228,118
Investment Income	227,404	308,752	219,069
State Appropriations (Operating)	255,156	347,425	323,417
SELECTED EXPENSES *(in thousands of dollars)*			
Medical Related [3]	$2,068,941	$ 1,043,171	$ 624,074
Instruction, Academic Support, and Student Services	1,493,807	1,198,015	888,499
Research and Public Service	765,036	733,769	605,433
Institutional Support and Physical Plant	456,824	296,559	261,174
Auxiliary Enterprises	291,628	165,612	131,884
CONSOLIDATED ENDOWMENT FUND [5] *(in thousands of dollars)*	$3,076,000	$1,830,000	$1,366,000
SQUARE FOOTAGE [6] *(in thousands of square feet)*	22,326	18,526	17,504

1 Headcount
2 Full time equivalents
3 Includes Valley Medical Center (2015 only) and Northwest Hospital (2015 and 2010 only)
4 Net of scholarship allowances of $142,685,000 in 2015, $82,461,000 in 2010, and $48,123,000 in 2005
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:

We have audited the accompanying financial statements of the business-type activities of the University of Washington (the University), an agency of the state of Washington, which comprise the statements of net position as of June 30, 2015, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, as well as its discretely presented component units as of and for the year ended June 30, 2015.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

As discussed in note 1, the financial statements of the University of Washington, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University of Washington and its 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, 2015, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Washington as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended, and the financial position of its discretely presented component units as of June 30, 2015, and the changes in their financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 11, and the schedules of required supplementary information on pages 46 through 47, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in note 1 to the financial statements, on July 1, 2014, the University adopted new accounting guidance requiring governments providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, as well as recognizing most changes in the net pension liability within pension expense. Our opinion is not modified with respect to this matter.

KPMG LLP

Seattle, Washington
October 23, 2015

The discussion and analysis below provides an overview of the financial position and activities of the University of Washington (University) for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes that follow this section.

Financial Highlights for Fiscal Year 2015

The University recorded an increase in net position of $235 million in fiscal year 2015; $243 million less than the fiscal year 2014 increase of $478 million. This is primarily related to a decrease in investment income of $254 million in fiscal year 2015, a result of decreased investment market values during the year. The University adjusts the carrying value of investments to market value each year, with the change recorded as investment income or loss. Revenues from tuition and patient services continued to show growth during 2015, while revenues from research activities were mostly unchanged.

Key Financial Results for Fiscal Years 2015 and 2014

(in millions)	2015	2014
Total operating revenues	$ 4,217	$ 3,914
Total operating expenses	4,668	4,384
Operating loss	(451)	(470)
State appropriations	255	262
Investment income	227	481
Gifts	200	191
Other nonoperating revenues, net	4	14
Increase in net position	235	478
Net position, beginning of year	6,643	6,165
Cumulative effect of accounting change	(832)	–
Net position, beginning of year as restated	5,811	6,165
Net position, end of year	**$6,046**	**$ 6,643**

Operating revenues minus operating expenses typically result in an operating loss in the University's financial statements. Nonoperating items, however, including state support, investment income, and gifts have typically enabled the University to reflect an increase in the net position, or "equity" each year. This surplus has been reinvested within the University to add a margin of educational excellence, upgrade the University's facilities and provide a prudent reserve for contingencies such as the recent period of economic instability.

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" during fiscal year 2015. This Statement changed how the University reports its participation in certain cost sharing, defined benefit pension plans administered by the state of Washington Department of Retirement Systems (DRS). It requires governments providing defined-benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position. This Statement requires most changes in the net pension liability be included in pension expense in the period of the change, and others to be reported as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Prior to adopting this Statement, the University reported pension expense based on cash contributions paid to the pension plan administrator. With the adoption of GASB Statement No. 68, net position was restated at July 1, 2014 by $832 million. Fiscal year 2015 financial results reflect application of the accounting changes required by Statement No. 68, but those changes have not been applied to fiscal year 2014 amounts due to the constraints of available information.

Economic Factors Affecting the Future

A number of contingencies face the University over the next few years. The slow economic recovery is a primary source of uncertainty.

The state of Washington, which provided 6% of the University's total revenues in fiscal year 2015, continues to emerge from the recession. The effect of required increases to K-12 funding over the next several years, together with other economic factors such as slow growth and insufficient tax revenues, could result in added uncertainty for other state programs, including higher education.

The University's 2016 general operating appropriation from the state (excluding amounts appropriated for specific purposes) is approximately $292 million, an increase from 2015. This increase is largely attributed to targeted investments in medical and computer science education, as well as a significant backfill of lost tuition revenue from a reduction in the 2016 tuition rate for resident undergraduate students.

During the previous biennium, in exchange for biennial increases in state funding affecting both fiscal years 2014 and 2015, the University committed to freezing tuition rates for resident undergraduate students in both years. 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 under pressure, though some state bonding capacity was provided this biennium for critical renovation projects.

Since 2009, Federal ARRA funding for basic research and activities in the health sciences has totaled $366 million. The University has $17 million of unspent ARRA awards that will be expended in fiscal year 2016 or later. The federal budget remains under significant pressure; ongoing federal funding for research could be impacted.

In 2014, UW Medicine formed an Accountable Care Network (ACN) with certain other health care organizations and healthcare professionals in Western Washington. The ACN has entered into agreements to provide health care services to a

Unaudited – see accompanying notes to basic financial statements

large local employer with coverage that began January 2015, and with the Washington Health Care Authority to participate in its new Puget Sound Accountable Care Program (ACP) for Public Employees Benefits Board (PEBB) members. The Puget Sound ACP will initially be offered to PEBB members in five Western Washington counties beginning in January 2016, with possible statewide expansion in 2017. These arrangements include provisions for shared risk as well as shared savings between the ACN and the contracted entity based on achieving certain agreed upon quality and financial benchmarks.

Rising benefit costs, particularly for pensions and healthcare, continue to impact the University as well. Employer pension funding rates for the Public Employees' Retirement System (PERS) pension plans were unchanged during fiscal year 2015, but will be increasing 19% to 11% of covered salary during fiscal year 2016. Likewise, although the monthly employer base rate paid by the University for employee healthcare decreased during fiscal year 2015, it will be increasing 27% to $840 per active employee during fiscal year 2016. Both rates are likely to continue increasing over the next few years.

Using the Financial Statements

The University's financial statements include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial Statements. These 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.

On January 1, 2010, the University affiliated with Northwest Hospital & Medical Center (Northwest Hospital). GASB standards require that this entity be presented as a discrete component unit; therefore, its financial position at June 30, 2015, and the results of its operations for the year ended June 30, 2015, are included with Valley Medical Center in a separate column for financial statement presentation purposes (see Note 1 and Note 18 to the Financial Statements).

On July 1, 2011, the University affiliated with Valley Medical Center, a Washington public hospital district which owns and operates a 321-bed full-service acute care hospital and 45 clinics located throughout southeast King County. Valley Medical Center is also being reflected as a discrete component unit; therefore its financial position and the results of its operations are included with Northwest Hospital in a separate column for financial statement presentation purposes (see Note 1 and Note 18 to the Financial Statements).

The analysis presented below includes the consolidated balances of the University of Washington and its blended component units (see Note 1), but excludes the financial position and results of operations of its discrete component units (Northwest Hospital and Valley Medical Center), unless otherwise noted.

Financial Health

STATEMENTS OF NET POSITION

The Statements of Net Position present the financial condition of the University and report a snapshot of assets, liabilities, deferrals and net position. A summarized comparison of these balances as of June 30, 2015 and 2014, follows:

(in millions)	2015	2014
Current assets	$ 1,402	$ 1,537
Noncurrent assets:		
Capital assets, net	4,172	4,045
Investments, net of current portion	4,297	3,959
Other	491	358
Total assets	10,362	9,899
Deferred outflows	111	14
Total assets and deferred outflows	10,473	9,913
Current liabilities	998	872
Noncurrent liabilities:		
Bonds payable	1,911	1,966
Other	1,249	432
Total liabilities	4,158	3,270
Deferred inflows	269	–
Total liabilities and deferred Inflows	4,427	3,270
Net position	**$ 6,046**	**$ 6,643**

The excess of current assets over current liabilities of $404 million in 2015 and $665 million in 2014 reflects the continuing ability of the University to meet its short-term obligations. Current assets consist primarily of cash, short-term investments and accounts receivable. Current assets decreased $135 million in 2015, due to a decrease in the value of short-term investments, and the receipt of funds from Sound Transit for the mitigation of costs resulting from the construction of the light rail tunnel beneath campus. The Sound Transit amount was reflected as a receivable at the end of fiscal year 2014.

Long-term investments, a component of noncurrent assets, increased $338 million during 2015, as a result of market value changes during the year for the University's investments. Realized and unrealized gains in fiscal year 2015 totaled $151 million, versus $398 million in 2014.

Deferred outflows of resources and deferred inflows of resources both increased in 2015, primarily due to the implementation of GASB Statement No. 68. The University recorded $86 million of pension-related deferred outflows at the end of fiscal year 2015, primarily representing the deferral of pension contributions paid during the year for the University's participation in cost-sharing, defined benefit pension plans administered by the DRS. In addition, $269 million of pension-related deferred inflows were recorded for the University's proportionate share of collective deferred inflows reported by the DRS. These deferred inflow amounts represent the difference between projected and actual investment earnings on pension plan assets during the measurement period.

Other noncurrent liabilities also increased during 2015 due to the implementation of GASB Statement No. 68. As of June 30, 2015, a net pension liability of $623 million has been recorded and represents the University's proportionate share of the collective net pension liability reported by the DRS.

The difference between total assets and deferred outflows, and total liabilities and deferred inflows, is referred to as net position or "equity," and is one indicator of the current financial condition of the University. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

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, consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but rather for investment purposes only;
  - Expendable net position consists of resources which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions placed by donors and/or other external parties;
- Unrestricted Net Position – This is all other funds available to the University for any purpose associated with its mission. Unrestricted net position is often internally designated for specific purposes.

The University's net position at June 30, 2015 and 2014 is summarized as follows:

(in millions)	2015	2014
Net investment in capital assets	$ 2,156	$ 2,018
Restricted:		
Nonexpendable	1,322	1,257
Expendable	1,699	1,629
Unrestricted	869	1,739
Total net position	**$ 6,046**	**$ 6,643**

Net investment in capital assets increased $138 million, or 7%, in 2015. This balance increases as debt is paid off, or when the University funds fixed asset purchases without the use of external financing, for example by using internal reserves. This balance decreases as assets are depreciated.

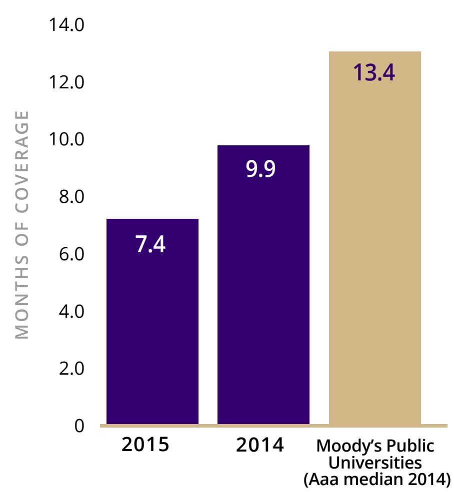
Restricted nonexpendable net position increased $65 million, or 5%, in 2015. This increase primarily reflects the receipt of new endowment gifts during the year.

Restricted expendable net position increased $70 million, or 4%, in 2015. This category is primarily affected by new operating and capital gifts, and earnings or losses on restricted investments, including endowments. The increase in market value for the Consolidated Endowment Fund was the main reason for the increase.

Unrestricted net position decreased by $870 million, or 50%, in 2015, primarily due to the impact of restating fiscal year 2015 beginning net position as a result of implementing GASB Statement No. 68. The change in accounting treatment required by Statement No. 68 reduced unrestricted net position by $913 million, representing the University's proportionate share of the beginning net pension liability, less $81 million of pension plan contributions paid by the University in the prior fiscal year. In addition, during fiscal year 2015 the University began a formal program to fund the construction of capital assets using internal reserves, by directing that a limited portion of the Invested Funds Pool be available for investment in institutional infrastructure, as opposed to financial assets. As a result, $51 million of construction costs associated with Phase 2 of the UW Medical Center Montlake Tower, and $77 million of costs associated with the construction of new student housing, were sourced during 2015 using internal reserves. These amounts have been reflected as a reduction of unrestricted net position, and an increase in net investment in capital assets.

The ratio of expendable financial resources to operations (as defined by Moody's Investors Service) measures the strength of net position as the coverage of annual operating expenses by financial resources that are ultimately expendable. This ratio, illustrated in the chart below, shows that in 2015 the University had enough expendable resources from various sources to fund operations for a period of 7.4 months. The decrease in this ratio during 2015 is primarily due to the implementation of GASB Statement No. 68, and the resulting decrease in Unrestricted Net Position.

Expendable Financial Resources to Operations[1]



1 The sum of Unrestricted Net Position and Restricted Expendable Net Position, divided by Total Operating Expenses (Operating Expenses plus interest expense). The result is multiplied by 12 to arrive at months of coverage. Net Position amounts include Northwest Hospital and Valley Medical Center.

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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.

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

The CEF has experienced considerable growth over the past 10 years due to new gifts and endowment returns. The number of individual endowments in the CEF has grown to 4,363 and the market value of the CEF has more than doubled, rising from $1.4 billion at June 30, 2005 to $3.1 billion at June 30, 2015.

The impact to program support has been substantial, with $827 million distributed over the past 10 years touching every part of the University. Programs supported by endowment returns include academic programs, scholarships, fellowships, professorships, chairs and research activities. Under the Board of Regents' approved long-term spending policy for the CEF, quarterly distributions to programs are made based on an annual percentage rate of 4%, applied to the five-year rolling average of the CEF's market valuation. An additional 1% is distributed to support fundraising and stewardship activities (0.80%) and investment management (0.20%). Similar to program distributions, the fee is based on the endowment's five-year average market value.

Endowment portfolios are commonly managed around a core set of objectives focused on the need to provide support for endowed programs in perpetuity. The Board of Regents, in conjunction with the University of Washington Investment Committee (UWINCO), establishes the policy asset allocation judged to be most appropriate for the University from a long-term potential return and risk perspective. The policy asset allocation is reviewed annually for its continuing fit with the University's risk profile and with consideration of the changing dynamics of the capital markets.

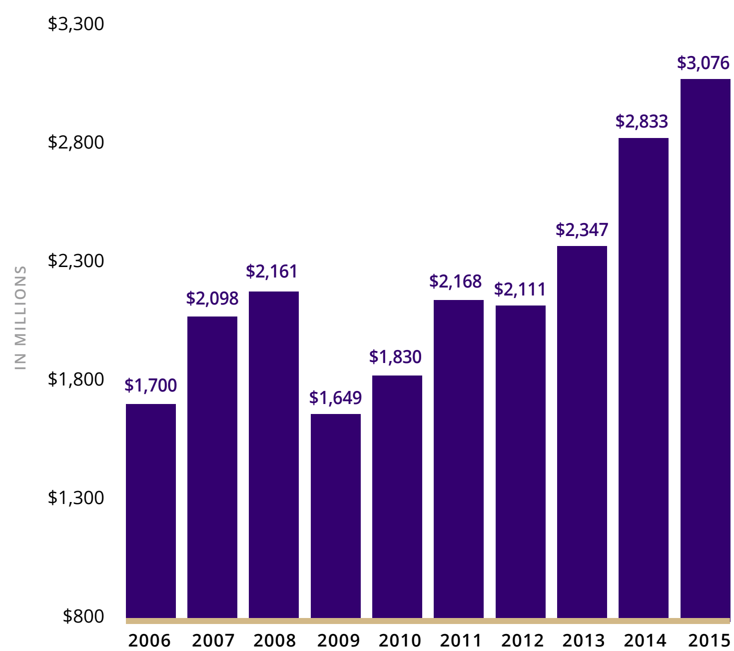
The CEF asset allocation includes two clearly defined categories of investments: those which facilitate growth or appreciation (Capital Appreciation), and those which preserve endowment values (Capital Preservation). At June 30, 2015, 73% of the CEF was invested in Capital Appreciation and 27% in Capital Preservation. Following our expectation that market returns for equities will exceed bonds over the next decade, a medium-to-long-term objective of generally overweighting equity-oriented strategies with a focus on quality companies and downside protection is being maintained. The University also maintains ample liquidity within Capital Preservation to meet its funding requirements, as well as to take advantage of market dislocations if opportunities arise.

For the fiscal year ended June 30, 2015, the CEF earned an investment return of +6.8%, significantly outperforming the blended benchmark (70% MSCI ACWI and 30% BC Gov't Bond). All individual CEF strategies had strong relative performance against their benchmarks with the exception of Fixed Income, which underperformed. It was a mixed year for global equities with the US leading market returns, while international developed and emerging markets were both negative for the year as Europe and China struggled with economic and political headwinds. Despite this, the CEF's Emerging Market strategy performed well, posting gains of +11.0% for the year.

With a five-year average of +10.0% and a ten-year average of +7.5%, the CEF has consistently maintained solid absolute and relative performance, outperforming the blended benchmark across all time periods.

A portion of the University's operating funds are invested in the CEF. As of June 30, 2015, these funds comprise $806 million of the CEF market value.

Consolidated Endowment Fund Market Value
(in millions)



Debt and Related Capital Improvements

The University's general revenue borrowing platform, established in 2003, has been used to fund buildings that support the educational, research and service missions of the institution. The University's debt portfolio consists primarily of fixed rate debt, including General Revenue Bonds, Lease Revenue Bonds and state issued bonds, as well as variable rate debt such as commercial paper.

Credit ratings are a reflection of the University's strength. During fiscal year 2015, the University was rated Aaa (the highest rating) by Moody's Investors Service and AA+ (with

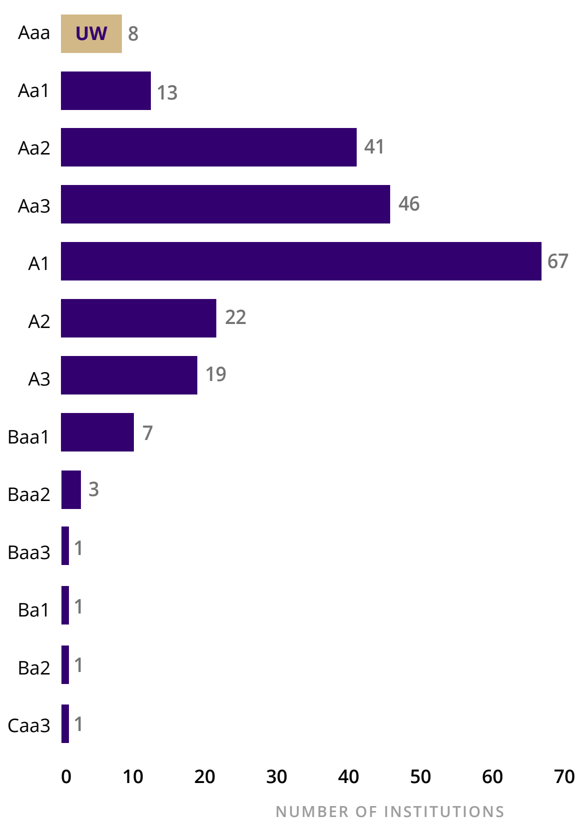
Unaudited – see accompanying notes to basic financial statements

a positive outlook) by Standard & Poor's. These strong ratings carry substantial advantages for the University: continued and wider access to capital markets when the University issues debt, lower interest rates on bonds and the ability to negotiate favorable bond terms.

The University takes its role of financial stewardship seriously and works hard to manage its financial resources effectively. Continued high debt ratings are important indicators of the University's success in this area.

Moody's Fiscal Year 2014 Public College and University Rating Distribution

(As of the July 2015 Moody's Median Report)



In March 2015, the University issued $218 million of General Revenue Bonds at an interest rate of 4.4%. Proceeds from this issuance refunded existing bonds and commercial paper.

In September 2015, the University issued $196 million of General Revenue Bonds at an interest rate of 4.03%. A portion of the debt will be used to pay off $112 million of commercial paper. The balance will be used to fund various projects such as the renovation of Denny Hall, construction of the new Animal Care and Research Facility, the SW Campus Central Utilities Plant, and other projects.

During fiscal year 2015, capital expenditures included $81 million for the construction of new student housing, and $62 million for Phase 2 of the UW Medical Center Montlake Tower.

Key projects substantially completed in 2015 include:

Demolition of the existing 1101 Café building and Terry Hall, and the construction of two new residential buildings named Maple Hall and Terry Hall. These new eight-story residential buildings include five wood-frame stories of housing, above a concrete plinth, consisting of two-bedroom suites, all with private bathrooms. The lower two floors of each building will be occupied by Housing and Food Services administration offices, common space for students, and some additional two-bedroom suites. A below-grade parking garage connected to the Lander Hall garage and the Lander Hall loading dock will extend below the new Maple and Terry residence halls. The two new buildings will total approximately 440,000 square feet, with a target bed count of 1,150 beds.

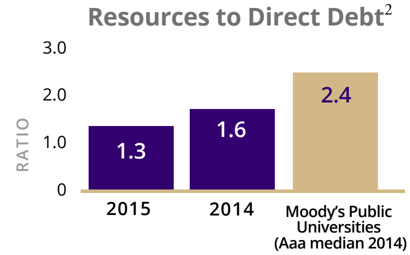
UW Medical Center Expansion Phase 2, which will provide a build-out of three inpatient bed floors, an OR suite within the new Montlake Tower (Phase I), and renovation of approximately 125,000 square feet within the existing Cascade and Pacific Towers.

HR/Payroll Modernization, which is a major initiative to replace the University's 33-year-old legacy payroll system with a modern, integrated human resources and payroll system. HR/Payroll Modernization will also provide a set of standardized processes to significantly improve support for critical HR and payroll work across the University, including the Medical Centers.

Construction of a new 3-story building adjacent to the existing North Creek Events Center on the UW Bothell and Cascadia Community College (CCC) campus. The 36,000 gross square feet facility will be used jointly by UW Bothell and CCC students, faculty, and staff. The Student Activities Center will provide for student leadership and clubs, fitness and recreation, casual study, and a multi-purpose room/events center. The project will also support the recently completed sports and recreation complex (adjacent to the project site) with restroom and equipment checkout facilities.

One measure of the University's ability to repay debt is the ratio of expendable financial resources to debt. The 2015 ratio of expendable financial resources to debt (as defined by Moody's) shows that the University has sufficient expendable resources to pay its long-term debt obligations 1.3 times over. The decrease in this ratio during 2015 is primarily due to the implementation of GASB Statement No. 68, and the resulting decrease in Unrestricted Net Position.

Expendable Financial Resources to Direct Debt[2]



2 The sum of Unrestricted Net Position and Restricted Expendable Net Position, divided by total capital lease obligations, bonds and notes payable outstanding. Includes Northwest Hospital and Valley Medical Center.

Unaudited – see accompanying notes to basic financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

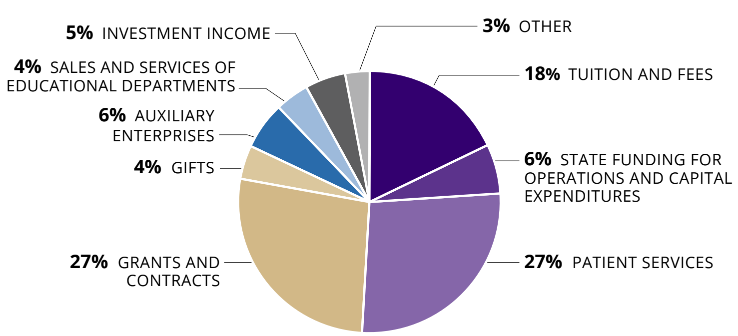
The Statements of Revenues, Expenses and Changes in Net Position present the University's results of operations and nonoperating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or nonoperating. A condensed comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 follows:

(in millions)	2015	2014
Total operating revenues	$ 4,217	$ 3,914
Total operating expenses	4,668	4,384
Operating loss	(451)	(470)
Nonoperating revenues, net of expenses	576	859
Other revenues	110	89
Increase in net position	235	478
Net position, beginning of year	6,643	6,165
Cumulative effect of accounting change	(832)	–
Net position, beginning of year as restated	5,811	6,165
Net position, end of year	**$ 6,046**	**$ 6,643**

Nonoperating revenues decreased $283 million, or 33%, in 2015, primarily due to a decrease in investment income during the year resulting from decreased investment market values.

The University has a diversified revenue base. No single source generated more than 27% of the total fiscal year 2015 revenues of $5.0 billion.

Sources of Funds



The following table summarizes revenues from all sources for the years ended June 30, 2015 and 2014:

(in millions)	2015	2014
Tuition and fees	$ 914	$ 839
Patient services	1,362	1,207
Grants and contracts	1,334	1,327
Sales and services of educational departments	223	213
Auxiliary enterprises	319	261
State funding for operations	255	262
Gifts	200	191
Investment income	227	481
State funding for capital projects	21	8
Other	128	164
Total revenue - all sources	**$ 4,983**	**$ 4,953**

Grant Revenue

One of the largest sources of revenue (27%) continues to be grants and contracts. Total grant revenue of $1,334 million in fiscal year 2015 is mostly unchanged from the prior year, as a slight decrease in receipts from federal sources was offset by increases in nongovernmental grant and contract revenue. Receipts from federal sponsors made up 75% of total grant and contract revenue in 2015, compared with 77% in 2014, due primarily to a decline in revenues from the National Institutes of Health. Revenues generated by federal ARRA research funding decreased to less than $1 million in fiscal year 2015, compared to $10 million in the prior year, and contributed to the decrease from federal sources.

Grants and contracts provide the opportunity for graduate and undergraduate students to work with nationally recognized faculty in research as part of their educational experience.

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

Facility and administrative (F&A) expenses necessary to support grants and contracts are reimbursed by sponsors, along with direct costs, by an indirect cost recovery. The current F&A, or indirect cost recovery rate, for research grants is approximately 29 cents on every direct expenditure dollar.

Primary Nongrant Funding Sources

The University relies primarily on student tuition and fees and state appropriations as revenue sources to support its nongrant funded educational operating expenses. State support for education increased during fiscal years 2014 and 2015, but is still significantly below historical levels.

Operating Support for Instruction

(in millions)	2015		2014	
State operating appropriations	$ 255	22%	$ 262	24%
Operating tuition and fees	638	55%	594	54%
Fees for self-sustaining educational programs	276	23%	245	22%
Total educational support	**$ 1,169**	**100%**	**$ 1,101**	**100%**

Unaudited – see accompanying notes to basic financial statements

Noncapital state appropriations are considered nonoperating revenue under GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," and are reflected in the nonoperating section of the Statements of Revenues, Expenses and Changes in Net Position; however, they are used solely for operating purposes.

Tuition and fees, net of scholarship allowances, increased $75 million (9%) to $914 million in fiscal year 2015. The increase was primarily due to higher enrollment during the year for most enrollment categories, together with selective increases in some tuition rates, mainly for non-resident students.

Tuition increases were partially offset by an increase in scholarships and fellowships, and scholarship allowances of $11 million in 2015.

Self-sustaining educational programs (fee-supported programs) include the following amounts for each of the fiscal years 2015 and 2014: UW Educational Outreach (the continuing education branch of the University), $97 million and $96 million, respectively, summer quarter tuition $59 million and $42 million, respectively, and for Business School and School of Medicine programs $47 million and $45 million, respectively.

Patient Services – UW Medicine

The financial statements of the University include the operations of the School of Medicine, three hospitals, associated physicians and clinics, Airlift Northwest, and the University's share of two joint ventures. These entities, together with Harborview Medical Center (not included in the University's financial statements—see Note 13) comprise UW Medicine, an umbrella organization serving to coordinate these activities and promote quality healthcare in the Pacific Northwest and beyond, and to conduct cutting-edge medical research with worldwide benefit.

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

UW Medical Center (UWMC) is a 450-bed hospital that provides comprehensive healthcare services to the Puget Sound community and patients from throughout the Pacific Northwest. UWMC also serves as the major clinical, teaching and research site for students and faculty in the Health Sciences at the University. Over 18,000 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 (NICU) and the Organ Transplantation program.

Strategic growth initiatives were implemented in FY14 with the expansion of primary care and urgent care, the opening of the Eastside Specialty Center and other clinics, as well as continued progress on Phase 2 of the UW Medical Center Montlake Tower.

Valley Medical Center (VMC) is a 321-bed acute care hospital and network of clinics, treats over 17,000 inpatients per year, and is the oldest and largest public district hospital in the state of Washington. VMC joined UW Medicine in July 2011. VMC's Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are presented in a discrete column together with NWH on the financial statements of the University.

Northwest Hospital & Medical Center (NWH) is a full-service medical facility with 281 beds, and treats approximately 10,000 inpatients per year. NWH joined UW Medicine in January 2010. NWH's Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are presented in a discrete column together with VMC on the financial statements of the University.

UW Neighborhood Clinics (Neighborhood Clinics) is a network of primary care clinics with ten neighborhood locations throughout the greater Seattle area, providing primary care, urgent care and selected specialty care with a staff of approximately 85 healthcare providers. The revenues, expenses, assets and liabilities of Neighborhood Clinics are included in the University's financial statements.

UW Physicians (UWP) is the physician practice group for more than 1,800 faculty physicians and healthcare providers associated with UW Medicine. The revenues, expenses, assets and liabilities of UWP are included in the University's financial statements.

Airlift Northwest is the preeminent provider of air medical transport services in the Pacific Northwest. The revenues, expenses, assets and liabilities of Airlift Northwest are included in the University's financial statements.

The University is also a participant in two joint ventures: Seattle Cancer Care Alliance and Children's University Medical Group. The University's share of these activities is reflected in the University's financial statements.

In combination, these organizations (not including VMC and NWH) contributed $1,362 million in patient services revenue in fiscal year 2015, of which 76% was generated by UWMC. This compares to $1,207 million in patient services revenue in fiscal year 2014, of which 77% was generated by UWMC. UWMC admissions exceeded 18,000 in 2015, a slight increase from 2014. Average patient length of stay was nearly 7.0 days, up from 6.9 days in 2014. The increase in patient services revenue during 2015 is partly due to higher case acuity at UWMC, as well as strong case volumes in oncology, cardiology and neurosurgery.

Charity care has decreased as a result of the Medicaid expansion and implementation of the Healthcare Exchanges effective January 1, 2014. While patients continue to be treated from all walks of life, the number of uninsured patients served at UW Medicine has declined and been accompanied by an increase in Medicaid patients.

Gifts, Endowments and Investment Revenues

Net investment returns for the years ended June 30, 2015 and 2014 consisted of the following:

(in millions)	2015	2014
Interest and dividends	$ 66	$ 73
Metropolitan tract net income	16	8
Investment in Seattle Cancer Care Alliance	6	12
Net appreciation of fair value of investments	151	398
Investment expenses	(12)	(10)
Net investment income	**$ 227**	**$ 481**

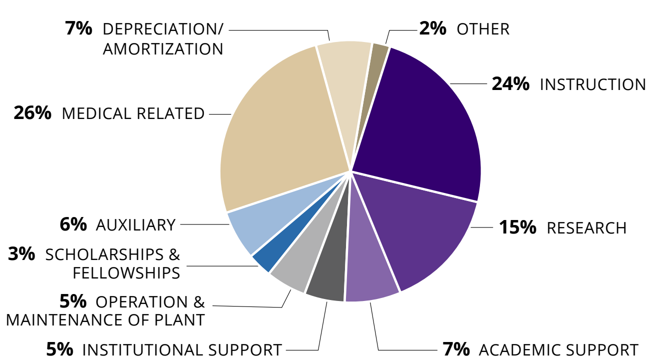
Net appreciation includes both realized and unrealized gains and losses. The unrealized gains, however, are not available until the underlying securities have been sold. Net investment income decreased by $254 million in 2015. The change in realized and unrealized gains and losses was the major factor in the variance.

Donor support increased by $9 million, or 5%, to $200 million in 2015. Gifts are a key and necessary source of support for a variety of purposes including capital improvements, scholarships, research, and endowments for various academic and research positions.

Expenses

Two primary functions of the University, instruction and research, comprised 39% of total operating expenses. These amounts provided instruction to nearly 55,000 students and funded 5,000 research awards. Medical-related expenses, such as those related to patient care, also continue to be one of the largest individual components.

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, 2015 and 2014 follows:

(in millions)	2015	2014
Operating expenses:		
Educational and general instruction	$ 1,114	$ 1,037
Research	730	766
Public service	35	42
Academic support	337	297
Student services	43	43
Institutional support	215	224
Operation and maintenance of plant	241	201
Scholarships and fellowships	147	138
Auxiliary enterprises	292	286
Medical-related	1,203	1,042
Depreciation/amortization	311	308
Total operating expenses	**$ 4,668**	**$ 4,384**

Overall, the University's operating expenses increased by $284 million, or 6%, over 2014. Salaries expense increased $166 million, or 8% due to employee merit increases and a modest increase in FTE's. Despite an increase in the associated salaries, benefits expense decreased by $12 million, or 2%, due primarily to a reduction in pension expense as calculated under GASB Statement No. 68. In accordance with Statement No. 68, the difference between projected and actual investment earnings on plan assets during the measurement period for the net pension liability has been recorded as a deferred inflow and is being amortized to pension expense over five years. The University's proportionate share of that amortization reduced fiscal year 2015 pension expense by $67 million. Supplies and materials expense increased $44 million, or 11%, partly due to higher demand for medical supplies required by UWMC to support an increase in volumes related to patient care. Other operating expense increased by $35 million, or 34%, primarily due to increases in rental expense and costs associated with the University's self-insurance program.

Unaudited – see accompanying notes to basic financial statements

Operating Loss

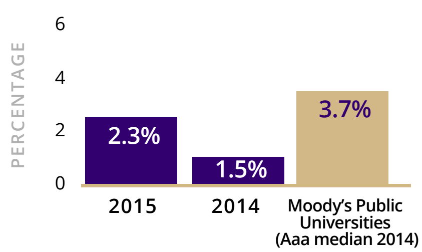
The University's operating loss decreased slightly to $451 million in 2015, from $470 million in 2014.

State appropriations are shown as nonoperating revenue, pursuant to GASB standards. If state appropriations were classified as operating revenue, the operating loss would have been $196 million in 2015, and $208 million in 2014. The University continues to rely on nonoperating revenues such as gift revenues and investment income distributions, in addition to state appropriations, to fund its operations.

Operating Margin

Moody's measures the net result of revenue and expense activity by including several nonoperating revenues in the margin. The 2015 operating margin increased to 2.3%. Operating margin calculations include an estimated return on the University's investments rather than actual investment income. Therefore, variances in investment performance in a given year will not impact the operating margin.

Operating Margin[3]



3 Operating loss, (including interest expense, operating appropriations, nonoperating federal grants, an assumed 5% spending rate on investments and nonpermanent endowment gifts), divided by operating revenues (less scholarship expenses, and including operating appropriations, nonoperating federal grants, an assumed 5% return on investments and nonpermanent endowment gifts). Excludes Northwest Hospital and Valley Medical Center.

Unaudited – see accompanying notes to basic financial statements

STATEMENTS OF NET POSITION

	UNIVERSITY OF WASHINGTON June 30, 2015	DISCRETE COMPONENT UNITS [1] June 30, 2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS (NOTE 2)	$ 82,905	$ 39,960
INVESTMENTS, CURRENT PORTION (NOTE 6)	679,505	24,477
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE OF $66,902) (NOTE 5)	596,453	110,297
OTHER CURRENT ASSETS	43,459	63,444
TOTAL CURRENT ASSETS	1,402,322	238,178
NONCURRENT ASSETS:		
DEPOSIT WITH STATE OF WASHINGTON (NOTE 3)	51,647	–
INVESTMENTS, NET OF CURRENT PORTION (NOTE 6)	4,297,157	66,168
METROPOLITAN TRACT (NOTE 7)	121,146	–
STUDENT LOANS RECEIVABLE (NET OF ALLOWANCE OF $4,974) (NOTE 4)	73,384	–
DUE FROM DISCRETE COMPONENT UNITS	93,240	–
OTHER NONCURRENT ASSETS	150,323	110,753
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF $3,566,289) (NOTE 8)	4,172,378	467,701
TOTAL NONCURRENT ASSETS	8,959,275	644,622
TOTAL ASSETS	10,361,597	882,800
DEFERRED OUTFLOWS OF RESOURCES:		
UNAMORTIZED LOSS ON BOND REFUNDING	25,813	6,435
PENSION-RELATED DEFERRED OUTFLOWS (NOTE 15)	85,602	–
TOTAL DEFERRED OUTFLOWS OF RESOURCES	111,415	6,435
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 10,473,012**	**$ 889,235**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 626,085	$ 121,160
UNEARNED REVENUES	155,114	–
OTHER CURRENT LIABILITIES	92,982	11,743
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 9-11)	124,137	9,001
TOTAL CURRENT LIABILITIES	998,318	141,904
NONCURRENT LIABILITIES:		
U.S. GOVERNMENT GRANTS REFUNDABLE	51,985	–
DUE TO PRIMARY GOVERNMENT	–	93,240
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 9-11)	2,484,522	320,232
NET PENSION LIABILITY (NOTE 15)	622,589	–
TOTAL NONCURRENT LIABILITIES	3,159,096	413,472
TOTAL LIABILITIES	4,157,414	555,376
DEFERRED INFLOWS OF RESOURCES:		
PROPERTY TAXES	–	9,625
PENSION-RELATED DEFERRED INFLOWS (NOTE 15)	269,135	–
TOTAL DEFERRED INFLOWS OF RESOURCES	269,135	9,625
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**4,426,549**	**565,001**
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	2,156,229	67,033
RESTRICTED:		
NONEXPENDABLE	1,321,979	1,943
EXPENDABLE	1,699,135	8,471
UNRESTRICTED	869,120	246,787
TOTAL NET POSITION	6,046,463	324,234
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 10,473,012**	**$ 889,235**

[1] See Note 18

See accompanying notes to basic financial statements.

Dollars in thousands

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF WASHINGTON Year ended June 30, 2015	DISCRETE COMPONENT UNITS [1] Year ended June 30, 2015
REVENUES		
OPERATING REVENUES:		
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF $142,685)	$ 914,419	$ –
NET PATIENT SERVICE REVENUES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF $15,947)	1,362,279	822,421
FEDERAL GRANTS AND CONTRACTS	999,189	–
STATE AND LOCAL GRANTS AND CONTRACTS	87,629	–
NONGOVERNMENTAL GRANTS AND CONTRACTS	193,840	–
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	223,494	–
AUXILIARY ENTERPRISES:		
HOUSING AND FOOD SERVICES	111,531	–
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF $6,495)	67,727	–
OTHER AUXILIARY ENTERPRISES	139,974	–
OTHER MEDICAL-RELATED REVENUE	45,157	53,165
OTHER OPERATING REVENUE	71,459	–
TOTAL OPERATING REVENUES	**4,216,698**	**875,586**
EXPENSES		
OPERATING EXPENSES (NOTE 12):		
SALARIES	2,192,781	384,254
BENEFITS	649,923	99,346
SCHOLARSHIPS AND FELLOWSHIPS	146,570	–
UTILITIES	60,454	8,480
SUPPLIES AND MATERIALS	463,624	161,694
PURCHASED SERVICES	707,678	142,741
DEPRECIATION/AMORTIZATION	310,960	49,238
OTHER	135,975	20,048
TOTAL OPERATING EXPENSES	**4,667,965**	**865,801**
OPERATING INCOME (LOSS)	**(451,267)**	**9,785**
NONOPERATING REVENUES (EXPENSES)		
STATE APPROPRIATIONS	255,156	–
GIFTS	115,636	342
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE OF $11,741)	227,404	4,385
INTEREST ON CAPITAL ASSET-RELATED DEBT	(79,259)	(23,004)
PELL GRANT REVENUE	48,471	–
PROPERTY TAX REVENUE	–	18,132
OTHER NONOPERATING REVENUES (EXPENSES)	9,042	630
NET NONOPERATING REVENUES	**576,450**	**485**
INCOME BEFORE OTHER REVENUES	**125,183**	**10,270**
CAPITAL APPROPRIATIONS	20,812	–
CAPITAL GRANTS, GIFTS AND OTHER	21,986	2
GIFTS TO PERMANENT ENDOWMENTS	67,359	167
TOTAL OTHER REVENUES	**110,157**	**169**
INCREASE IN NET POSITION	**235,340**	**10,439**
NET POSITION		
NET POSITION – BEGINNING OF YEAR, AS RESTATED (NOTE 1)	5,811,123	313,795
NET POSITION – END OF YEAR	**$ 6,046,463**	**$ 324,234**

[1] See Note 18

See accompanying notes to basic financial statements.

Dollars in thousands

STATEMENT OF CASH FLOWS

	UNIVERSITY OF WASHINGTON Year Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES	
STUDENT TUITION AND FEES	$ 882,465
PATIENT SERVICES	1,328,801
GRANTS AND CONTRACTS	1,291,442
PAYMENTS TO SUPPLIERS	(465,995)
PAYMENTS FOR UTILITIES	(60,009)
PURCHASED SERVICES	(707,938)
OTHER OPERATING DISBURSEMENTS	(132,406)
PAYMENTS TO EMPLOYEES	(2,186,431)
PAYMENTS FOR BENEFITS	(588,216)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(146,570)
LOANS ISSUED TO STUDENTS	(24,858)
COLLECTION OF LOANS TO STUDENTS	23,530
OTHER MEDICAL CENTER RECEIPTS	45,157
AUXILIARY ENTERPRISE RECEIPTS	305,523
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	220,004
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	714,996
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(712,292)
OTHER RECEIPTS	96,441
NET CASH USED BY OPERATING ACTIVITIES	**(116,356)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
STATE APPROPRIATIONS	255,613
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	48,471
PRIVATE GIFTS	91,574
PERMANENT ENDOWMENT RECEIPTS	67,359
DIRECT LENDING RECEIPTS	239,000
DIRECT LENDING DISBURSEMENTS	(240,607)
TRANSFERS TO COMPONENT UNITS	(100,945)
OTHER	52,514
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**412,979**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PROCEEDS FROM CAPITAL DEBT	450,469
STATE CAPITAL APPROPRIATIONS	20,928
CAPITAL GRANTS AND GIFTS RECEIVED	21,651
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(432,885)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(386,874)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(98,911)
OTHER	5,427
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(420,195)**

	Year Ended June 30, 2015
CASH FLOWS FROM INVESTING ACTIVITIES	
PROCEEDS FROM SALES OF INVESTMENTS	6,931,799
DISBURSEMENTS FOR PURCHASES OF INVESTMENTS	(6,874,325)
INVESTMENT INCOME	69,875
NET CASH PROVIDED BY INVESTING ACTIVITIES	**127,349**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,777**
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	79,128
CASH AND CASH EQUIVALENTS-END OF THE YEAR	**$ 82,905**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
OPERATING LOSS	$ (451,267)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
DEPRECIATION/AMORTIZATION EXPENSE	310,960
CHANGES IN ASSETS AND LIABILITIES:	
RECEIVABLES	(13,716)
OTHER ASSETS	(39,572)
PENSION-RELATED DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES	264,460
NET PENSION LIABILITY	(289,763)
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	24,763
UNEARNED REVENUE	(10,813)
OTHER LONG-TERM LIABILITIES	89,920
U.S. GOVERNMENTAL GRANTS REFUNDABLE	(442)
LOANS TO STUDENTS	(886)
NET CASH USED BY OPERATING ACTIVITIES	**$ (116,356)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
STOCK GIFTS	$ 24,062
INCREASE IN INTEREST IN SEATTLE CANCER CARE ALLIANCE	6,319
NET UNREALIZED GAINS	79,724
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	**$ 110,105**

See accompanying notes to basic 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 (Note 13).

Component units are legally separate organizations for which the University is financially accountable. These entities may be reported in the financial statements of the primary government in one of two ways: the component units' amounts may be blended with the amounts reported by the primary government, or they may be shown in a separate column, depending on the application of the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus." All component units of the University meet the criteria for blending except Northwest Hospital & Medical Center and Valley Medical Center. They are reported discretely, since they have separate boards of directors and they do not provide services exclusively to the University.

BLENDED COMPONENT UNITS

The following entities are presented as blended component units because they provide service exclusively or almost exclusively to the University. Financial information for these affiliated organizations is available from their respective administrative offices.

The Association of University Physicians dba UW Physicians (UWP)

UWP was established as a tax-exempt entity for the exclusive benefit of the University of Washington School of Medicine (UWSOM). UWP employs UWSOM faculty and bills and collects for their clinical services as an agent for UWSOM. UWP had operating revenues of $204,079,000 in 2015.

UW Medicine Neighborhood Clinics (Neighborhood Clinics)

Neighborhood Clinics was established as a tax-exempt entity for the benefit of UWSOM, UWP and its affiliated medical centers, HMC and UWMC, exclusively for charitable, scientific and educational purposes. Neighborhood Clinics was organized to coordinate and develop patient care in a community clinical setting. They enhance the academic environment of UWSOM by providing additional sites of primary care practice and training for faculty, residents and students. Neighborhood Clinics had operating revenues of $16,008,000 in 2015.

Real estate financing entities

The entities listed below are nonprofit corporations that were formed to acquire, construct or renovate certain real properties for the benefit of the University in fulfilling its educational, medical or scientific research missions. These 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

These entities collectively have net capital assets of $278,928,000, and long-term debt of $281,550,000, in 2015. These amounts are reflected in the University's financial statements.

DISCRETELY PRESENTED COMPONENT UNITS

Northwest Hospital

UW Medicine and Northwest Hospital & Medical Center (NWH), a 281-bed full-service acute care hospital, entered into an affiliation agreement effective January 1, 2010. The University is the sole corporate member of Northwest Hospital. The audited financial statements of Northwest Hospital are available by contacting Northwest Hospital & Medical Center at 1550 N. 115th Street, Seattle, Washington 98133-9733, Mailstop X-112.

Valley Medical Center

UW Medicine and Public Hospital District No. 1 of King County, a Washington public hospital district dba Valley Medical Center, entered into a strategic alliance, effective July 1, 2011. Valley Medical Center owns and operates a 321-bed full-service acute care hospital and 45 clinics located throughout southeast King County. The audited financial statements of Valley Medical Center are available by contacting Valley Medical Center at 400 S. 43rd Street, Renton, Washington 98055 or online at the following address: www.valleymed.org/about-us/financial-information/.

JOINT VENTURES

The University, together with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center established the Seattle Cancer Care Alliance (SCCA). The SCCA integrates the cancer research, teaching and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Each member of the SCCA has a one-third interest. The University accounts for its interest in SCCA under the equity method and has recorded $107,704,000 in Other Assets, together with $6,319,000 in Investment Income, for its share of the joint venture in 2015.

The University and Seattle Children's Hospital established Children's University Medical Group (CUMG) to assist the organizations in carrying out their pediatric patient care, charitable, educational, and scientific missions. CUMG employs UWSOM faculty physicians, and bills and collects for their services as an agent for UWSOM. The University records revenue from CUMG based on the income distribution plan effective December 31, 2008. The University's patient services receivable (Note 5) includes amounts due from CUMG of $18,852,000 in 2015.

CHANGES IN REPORTING ENTITY

In fiscal year 2015, the University paid the remaining outstanding principal balance on the TSB Properties Lease Revenue Bonds, 2006, and title to the property was passed to the University. The entity that issued the leased-backed bonds, TSB Properties, was dissolved and is no longer a blended component unit of the University.

BASIS OF ACCOUNTING

The financial statements of the University have been prepared in accordance with GASB Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments," as amended by GASB Statement No. 35, "Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities." The University is reporting as a special-purpose government engaged in business-type activities (BTA). In accordance with BTA reporting, the University presents management's discussion and analysis, statements of net position, statements of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

On July 1, 2014, the University adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement requires governments providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position. 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. When plan assets are insufficient to pay benefits, the discount rate used is a blended rate comprised of the expected rate of return over the period when projected plan assets exist to pay benefits, and then a tax-exempt, high-quality municipal bond rate for the periods when projected plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. Prior to adopting this Statement, the University reported pension expense based on cash contributions paid to the pension plan administrator. In addition to the reporting changes described above, implementation of this Statement resulted in the restatement of fiscal year 2015 beginning unrestricted net position, reducing it by $831,426,000. The University's Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows present only one fiscal year, since the change in accounting treatment required by Statement No. 68 is not able to be applied to the prior fiscal year due to the constraints of available information.

With the adoption of GASB Statement No. 68, net position was restated at July 1, 2014. Below is a reconciliation of total net position as previously reported at June 30, 2014, to the restated net position.

(Dollars in thousands)	
NET POSITION AT JUNE 30, 2014, AS PREVIOUSLY REPORTED	$ 6,642,549
ADOPTION OF GASB STATEMENT NO. 68	(831,426)
NET POSITION AT JULY 1, 2014, AS RESTATED	**$ 5,811,123**

On July 1, 2014, the University adopted GASB Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement requires disclosures to be made about government combinations and disposals of government operations, in order to enable financial statement users to evaluate the nature and financial effects of those transactions. There was no impact to the financial statements of the University as a result of implementing this Statement.

On July 1, 2014, the University adopted GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," an amendment of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." The purpose of this Statement is to address application of the transition provisions of GASB Statement No. 68, and clarify guidance regarding contributions made by a state or local government employer, or nonemployer contributing entity, to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Implementation of this Statement reduced the restatement of beginning unrestricted net position resulting from GASB Statement No. 68 by $80,926,000.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application", which will be effective for the fiscal year ending June 30, 2016. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. This Statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The University is currently analyzing the impact of this Statement.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". Amendments to Statement No. 68 will be effective for the fiscal year ending June 30, 2016 and the guidance for plans not within the scope of Statement No. 68 will be effective for the fiscal year ending June 30, 2017. This Statement is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement No. 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not within the scope of Statement No. 68, and to clarify the application of certain provisions of Statements No. 67 & 68. The University is currently analyzing the impact of this Statement.

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", which is effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about other postemployment benefits (OPEB) such as death benefits, life insurance, disability, and long-term care in the financial reports of governments that provide them. This Statement replaces Statement No. 43, "Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, as amended." The University is currently analyzing the applicability of this Statement.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which is effective for the fiscal year ending June 30, 2018. This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for OPEB plans that are not administered through trusts or equivalent arrangements. The University is currently analyzing the impact of this Statement.

In June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", which is effective for the fiscal year ending June 30, 2016. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The University is currently analyzing the impact of this Statement.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures", which is effective for the fiscal year ending June 30, 2017. This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues, and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements. The University is currently analyzing the impact of this Statement.

USE OF ESTIMATES

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

The University estimates the pollution remediation liability (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 (Notes 4 and 5) are estimates based on the historical experience of the University and current economic circumstances with respect to the collectability of accounts and loans receivable.

The University's share of pension plan assets, liabilities, deferrals and expenses related to the plans administered by the Washington Department of Retirement Systems, and the liability and expense related to the University of Washington Supplemental Retirement Plan (Note 15), reported in the University's financial statements 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 population.

The self-insurance reserve (Note 16) is estimated through an externally prepared actuarial calculation using individual case-basis valuations and statistical analyses. Considerable variability is inherent in such estimates.

OTHER ACCOUNTING POLICIES

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

Investments held to satisfy long-term strategies are considered noncurrent. Short-term investments consist primarily of cash equivalents and fixed income vehicles which management has identified as available to meet the day-to-day obligations of the University.

Inventories. Inventories are carried at the lower of cost or market value and reflected on the Statement of Net Position in Other Current Assets. Consumable inventories, consisting of expendable materials and supplies, are generally valued using the weighted-average method. Merchandise inventories are generally valued using the first-in, first-out method.

Capital Assets. Land, buildings, equipment, library books and intangibles are stated at cost or, if acquired by gift, at fair market value at the date of the gift. Additions, replacements, major repairs and renovations are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, 5 to 7 years for equipment, 15 years for library books, and 3 to 15 years for intangibles.

Interest incurred on capital asset-related debt was $86,931,000 during 2015. The University capitalized $7,672,000 of this cost during 2015 in accordance with GASB code 1400.120-.137.

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

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 based upon 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. When plan assets are insufficient to pay benefits, the discount rate used is a blended rate comprised of the expected rate of return over the period when projected plan assets exist to pay benefits, and then a tax-exempt, high-quality municipal bond rate for the periods when projected plan assets are not available. 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 cost-sharing plans in which the University participates is June 30 of the prior fiscal year.

Split-Interest Agreements. Under such agreements, donors/beneficiaries receive income for their lifetime or for a stated term, with the University receiving the remaining principal. The University records an asset related to these agreements at fair market value at year-end. The University also records a liability related to the split-interest agreements equal to the present value of expected future distributions; the discount rates applied range from 3.7% to 8.0%.

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, 2015 was $93,328,000, and is included in Accounts Payable and Accrued Liabilities. Sick leave accrued as of June 30, 2015 was $37,984,000, and is included in Long-Term Liabilities (Note 9).

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 Services Revenue. Patient services revenue is recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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 charity care provided to patients is excluded from net patient services revenue.

Third-party payor agreements with Medicare and Medicaid provide for payments at amounts different from established rates and are part of contractual adjustments to net patient services revenue. Medicare reimbursements are based on a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated final settlements for open years are based on preliminary cost findings after giving consideration to interim payments that have been received on behalf of patients covered under these programs.

For more information about UWMC operations and financial results, see their audited financial statements which are contained in the latest Bondholders Report at http://f2.washington.edu/treasury/sites/default/UW_BondholdersReport_15.pdf.

Charity Care. Based on established rates, the charges for patient services forgone as a result of charity care during the year ended June 30, 2015 were $31,915,000.

The cost of charity care is estimated based on the ratio of the cost of providing care to the value of the charges forgone. Applying this ratio results in an estimated cost of charity care and uncompensated care of $11,530,000 in fiscal year 2015.

State Appropriations. The state of Washington appropriates funds to the University on both annual and biennial bases. These revenues are reported as nonoperating revenues in the Statements of Revenues, Expenses and Changes in Net Position.

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/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 and which may be designated for specific purposes by management or the Board of Regents.

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

NOTE 2:

Cash and Cash Equivalents

Cash includes cash on hand, petty cash and bank deposits. 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).

At June 30, 2015, bank balances of $108,423,000 were either insured by the FDIC or collateralized under the PDPC.

NOTE 3:

Deposit with State of Washington

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

NOTE 4:

Student Loans Receivable

Net student loans of $73,384,000 at June 30, 2015 consist of $55,537,000 from federal programs and $17,847,000 from University programs. Interest income from student loans for the year ended June 30, 2015 was $1,690,000. These unsecured loans are made primarily to students who reside in the state of Washington.

NOTE 5:

Accounts Receivable

The major components of accounts receivable as of June 30, 2015 were:

(Dollars in thousands)	**2015**
NET PATIENT SERVICES	$ 325,813
GRANTS AND CONTRACTS	179,621
SALES AND SERVICES	30,753
TUITION	12,094
DUE FROM OTHER AGENCIES	47,851
ROYALTIES	4,893
INVESTMENTS	31,392
STATE APPROPRIATIONS	5,930
OTHER	25,008
SUBTOTAL	**663,355**
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(66,902)
TOTAL	**$ 596,453**

NOTE 6:

Investments

INVESTMENTS - GENERAL

The Board of Regents of the University of Washington is responsible for the management of the University's investments. The Board of Regents establishes investment policy, which is carried out by the Chief Investment Officer. The University of Washington Investment Committee, comprised of board members and investment professionals, advises on matters relating to the management of the University's investment portfolios. The composition of the carrying amounts of investments by type at June 30, 2015 is listed in Table 1.

TABLE 1 – UNIVERSITY INVESTMENTS *(Dollars in thousands)*

	Carrying Value
Investment Type	**2015**
FIXED INCOME – CASH EQUIVALENTS	$ 403,978
FIXED INCOME	1,726,481
EQUITY	1,733,102
NON-MARKETABLE ALTERNATIVES*	353,053
ABSOLUTE RETURN*	561,999
REAL ASSETS*	189,447
MISCELLANEOUS	8,602
TOTAL INVESTMENTS	**$ 4,976,662**

* Investment type includes private and other illiquid investments held in the Consolidated Endowment Fund

INVESTMENT POOLS

The University combines most short-term cash balances into the Invested Funds Pool. At June 30, 2015, the Invested Funds Pool totaled $1,526,380,000. The Invested Funds Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $806,198,000 on June 30, 2015. By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 2% in fiscal year 2015. Endowment operating and gift accounts received 3% in fiscal year 2015, with the distributions directed to the University. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

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

Under the CEF spending policy approved by the Board of Regents, quarterly distributions to programs are based on an annual percentage rate of 4%, applied to the five-year rolling average of the CEF's market valuation. Additionally, the policy allows for an administrative fee of 1% supporting campus-wide fundraising and stewardship activities (0.80%) and offsetting the internal cost of managing endowment assets (0.20%). This policy was effective with the December 2010 quarterly distributions, with the five-year averaging period implemented incrementally.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value, the net deficiency from the original gift value is $2,986,000 at June 30, 2015.

Funds in irrevocable trusts managed by trustees other than the University are not reported in the financial statements. The fair value of these funds was $111,442,000 at June 30, 2015. Income received from these trusts, which is included in Investment Income, was $6,162,000 for the year ended June 30, 2015.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $71,485,000 in 2015 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 appreciation in the fair value of investments during the year ended June 30, 2015 was $151,209,000.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2015, the University had outstanding commitments to fund alternative investments of $329,901,000. These commitments are expected to be called over a multi-year time frame. The University believes it has adequate liquidity and funding sources to meet these obligations.

DERIVATIVES

The University's investment policies allow investing in various derivative instruments, including futures, swaps and forwards, to manage exposures within or across the portfolio and to improve the portfolio's risk/return profile. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price. Total return swaps involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value. The fair value and notional amount of investment derivative instruments outstanding at June 30, 2015, categorized by type, are as follows:

TABLE 2 – INVESTMENT DERIVATIVES *(Dollars in thousands)*

Notional Amount as of June 30		Fair Value as of June 30		Change in Fair Value	
DESCRIPTION	2015	ASSET CLASSIFICATION	2015	INCOME CLASSIFICATION	2015
FUTURES CONTRACTS	$100,747	INVESTMENTS	$100,286	INVESTMENT INCOME	($461)

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, 2015. 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 1.81 years at June 30, 2015.

CREDIT RISK

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations or 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' cash pool requires each manager to maintain an average quality rating of "AA" as issued by a nationally recognized rating organization. The Invested Funds' liquidity 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 and credit risk figures at June 30, 2015 exclude $36,027,000 of fixed income securities held outside the CEF and the Invested Funds Pool. These amounts make up 1.69% of the University's fixed income investments (including cash equivalents), and are not included in the duration figures detailed in Table 3.

The composition of fixed income securities at June 30, 2015, along with credit quality and effective duration measures, is summarized as follows:

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

2015

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. TREASURIES	$ 842,525	$ –	$ –	$ –	$ 842,525	1.43
U.S. GOVERNMENT AGENCY	644,721	–	–	–	644,721	2.46
MORTGAGE BACKED	–	107,070	75,060	22,415	204,545	2.01
ASSET BACKED	–	195,968	6,998	24,111	227,077	1.73
CORPORATE AND OTHER	–	175,364	–	200	175,564	1.14
TOTAL	**$1,487,246**	**$ 478,402**	**$ 82,058**	**$ 46,726**	**$ 2,094,432**	**1.81**

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

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes, which can include foreign currency exposure. The University also enters into foreign currency forward contracts, futures contracts, and options to manage the foreign currency exposure. The University held non-U.S. denominated securities at June 30, 2015 of $1,195,070,000.

TABLE 4 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)	**June 30, 2015**
CHINESE RENMINBI (RMB)	$ 211,184
EURO (EUR)	174,487
INDIAN RUPEE (INR)	112,679
JAPANESE YEN (JPY)	110,617
HONG KONG DOLLAR (HKD)	60,046
SOUTH KOREAN WON (KRW)	56,835
BRITISH POUND (GBP)	54,880
BRAZILIAN REAL (BRL)	54,225
SWISS FRANC (CHF)	39,061
RUSSIAN RUBLE (RUB)	36,218
CANADIAN DOLLAR (CAD)	35,385
PHILIPPINE PESO (PHP)	29,100
TAIWANESE DOLLAR (TWD)	27,055
MEXICAN PESO (MXN)	23,898
REMAINING CURRENCIES	169,400
TOTAL	**$ 1,195,070**

NOTE 7:

Metropolitan Tract

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

The balance as of June 30, 2015 represents operating assets net of liabilities, and land, buildings and improvements stated at appraised value as of November 1, 1954. The balance also includes subsequent capital additions and improvements at cost, less retirements and accumulated depreciation of $166,124,000, and is net of the outstanding balance of the associated long-term debt.

In March 2015, $8,500,000 of Metropolitan Tract commercial paper was refinanced and replaced by the issuance of University General Revenue and Refunding Bonds, 2015 A&B, as described in the refunding activity section of Note 11. The loan amount as of June 30, 2015 to the Metropolitan Tract under this agreement was $8,535,000. In addition, $33,400,000 of bond proceeds were loaned to the Metropolitan Tract as part of the Cobb Building lease termination. The loan amount as of June 30, 2015 under this agreement was $33,564,000. Both loans are unsecured, but expected to be repaid through revenues generated by the Metropolitan Tract properties.

OFFICE PROPERTIES

On July 18, 1953, the University leased a significant portion of the office, retail, and parking facilities to Unico Properties LLC (formerly known as Unico Properties, Inc.) ("Unico"). In 2004, the Unico Lease was amended to exclude the Cobb Building, and a new lease for that building was signed with Unico.

The Unico Lease expired on October 31, 2014, and ownership of all leasehold assets transferred to the University. The University and Unico entered into a Transition Agreement to address "end of lease" issues that were not contemplated in the original Unico Lease. In addition, the following events occurred simultaneously with the Unico Lease expiration:

- The University terminated the ground lease with Unico for the Cobb Building and paid a termination price of $33,400,000
- Ownership of the Palomar Garage property transferred to the University as agreed to in the Unico Lease
- In accordance with the Predevelopment Agreement, the University entered into an Interim Agreement for the Rainier Square development site that provides Wright Runstad with significant control over the management and operation of the Rainier Square Building in exchange for a fixed rent schedule for up to seven years
- In connection with the Interim Agreement for the Rainer Square, the University entered into a property management agreement with Wright Runstad for the Rainier Tower Building
- The University hired Unico Properties LLC to oversee leasing for all of the office buildings and property management for all of the office buildings except the Rainer Tower

On May 15, 2014, the University entered into an agreement with Wright Runstad to undertake activities relating to the redevelopment of the site currently occupied by the Rainier Square ("Predevelopment Agreement"). In connection with this agreement, which commenced on November 1, 2014 and expires upon the retention of certain development milestones, the University would enter into a property management agreement for the Rainier Tower and an Interim Agreement for operation of the Rainier Square. Upon satisfaction of conditions included in the Pre-Development Agreement, the University plans to ground lease the site to Wright Runstad for a term of 80 years.

HOTEL

On January 18, 1980, the Board of Regents entered into a lease ("the Hotel Lease") for the Olympic Hotel property, which expires in 2040. The hotel was operated as the Four Seasons Olympic Hotel until July 31, 2003. On August 1, 2003, the remaining lease term was assigned to LHCS Hotel Holding (2002), LLC. The hotel was renamed the Fairmont Olympic Hotel and managed by Fairmont Hotels and Resorts, Inc.

On September 18, 2007, Legacy REIT, a publicly traded Canadian real estate investment trust and parent company of LHCS Hotel Holding (2002), LLC, was purchased by Cadbridge Investors, LP, a limited partnership majority owned by Cadim (a division of the Caisse de depot et placement du Quebec). The tenant under the Hotel Lease remained the same, and the management of the hotel by Fairmont Hotels and Resorts, Inc. did not change. On June 1, 2015, the University consented to the assignment of the Hotel Lease from LHCS Hotel Holding (2002) LLC to IC/RCDP Seattle Hotel, an entity owned by affiliates of Rockwood IX REIT, Inc. and an affiliate of DiNapoli Capital Partners, LLC.

NOTE 8:

Capital Assets

Capital asset activity for the period ended June 30, 2015 is summarized as follows:

(Dollars in thousands)	Balance at June 30, 2014	Additions/ Transfers	Retirements	Balance at June 30, 2015
LAND	$ 126,795	$ 1,953	$ –	$ 128,748
INFRASTRUCTURE	194,002	11,068	–	205,070
BUILDINGS	5,244,985	70,936	2,575	5,313,346
FURNITURE, FIXTURES AND EQUIPMENT	1,223,811	104,985	84,785	1,244,011
LIBRARY MATERIALS	325,663	13,521	1,767	337,417
CAPITALIZED COLLECTIONS	7,093	65	–	7,158
INTANGIBLE ASSETS	105,319	25,484	6,946	123,857
CONSTRUCTION IN PROGRESS	121,696	224,043	1,931	343,808
INTANGIBLES IN PROCESS	25,412	17,615	7,775	35,252
TOTAL COST	7,374,776	469,670	105,779	7,738,667
LESS ACCUMULATED DEPRECIATION/ AMORTIZATION:				
INFRASTRUCTURE	95,351	4,921	–	100,272
BUILDINGS	1,946,659	175,159	2,106	2,119,712
FURNITURE, FIXTURES AND EQUIPMENT	982,794	101,464	71,228	1,013,030
LIBRARY MATERIALS	239,087	12,546	1,317	250,316
INTANGIBLE ASSETS	66,089	16,870	–	82,959
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	3,329,980	310,960	74,651	3,566,289
CAPITAL ASSETS, NET	**$4,044,796**	**$ 158,710**	**$ 31,128**	**$4,172,378**

NOTE 9:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the period ended June 30, 2015 is summarized as follows:

(Dollars in thousands)	Balance at June 30, 2014	Additions/ Transfers	Reductions	Balance at June 30, 2015	Current Portion 2015
BONDS PAYABLE:					
GENERAL OBLIGATION BONDS PAYABLE (NOTE 11)	$ 165,044	$ 260	$ 15,740	$ 149,564	$ 18,290
REVENUE BONDS PAYABLE (NOTE 11)	1,764,855	291,750	347,540	1,709,065	41,055
UNAMORTIZED PREMIUM ON BONDS	101,456	39,709	15,978	125,187	13,416
TOTAL BONDS PAYABLE	2,031,355	331,719	379,258	1,983,816	72,761
NOTES PAYABLE AND CAPITAL LEASES:					
NOTES PAYABLE & OTHER – CAPITAL ASSET RELATED (NOTE 11)	24,008	7,205	2,975	28,238	5,020
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 11)	1,822	–	65	1,757	1,546
CAPITAL LEASE OBLIGATIONS (NOTE 10)	20,457	–	4,641	15,816	3,479
TOTAL NOTES PAYABLE AND CAPITAL LEASES	46,287	7,205	7,681	45,811	10,045
OTHER LONG-TERM LIABILITIES:					
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	36,684	5,614	–	42,298	–
POLLUTION REMEDIATION LIABILITY (NOTE 1)	22,000	–	–	22,000	4,000
DUE TO RELATED PARTY (NOTE 13)	16,366	11,760	5,500	22,626	8,500
SICK LEAVE (NOTE 1)	36,174	6,852	5,042	37,984	4,974
SELF-INSURANCE (NOTE 16)	67,450	29,495	14,744	82,201	20,459
COMMERCIAL PAPER	–	111,545	–	111,545	–
UWSRP NET PENSION OBLIGATION (NOTE 15)	198,895	53,057	3,766	248,186	3,398
OTHER NONCURRENT LIABILITIES	–	12,192	–	12,192	–
TOTAL OTHER LIABILITIES	377,569	230,515	29,052	579,032	41,331
TOTAL LONG-TERM LIABILITIES	**$ 2,455,211**	**$ 569,439**	**$ 415,991**	**$2,608,659**	**$ 124,137**

DISCRETE COMPONENT UNITS

Long-term liability activity for the period ended June 30, 2015 is summarized as follows:

(Dollars in thousands)	Balance at June 30, 2014	Additions/ Transfers	Reductions	Balance at June 30, 2015	Current Portion 2015
VALLEY MEDICAL CENTER					
LIMITED TAX GENERAL OBLIGATION BONDS	$ 243,503	$ –	$ 6,271	$ 237,232	$ 6,535
REVENUE BONDS	18,858	–	1,376	17,482	1,650
BUILD AMERICA BONDS	61,155	–	–	61,155	–
NOTES PAYABLE & OTHER	1,407	–	513	894	291
TOTAL LONG-TERM LIABILITIES	**$ 324,923**	**$ –**	**$ 8,160**	**$ 316,763**	**$ 8,476**

(Dollars in thousands)	Balance at June 30, 2014	Additions/ Transfers	Reductions	Balance at June 30, 2015	Current Portion 2015
NORTHWEST HOSPITAL					
REVENUE BONDS	$ 73,400	$ –	$ 73,400	$ –	$ –
NOTES PAYABLE & CAPITAL LEASES	13,645	–	1,175	12,470	525
TOTAL LONG-TERM LIABILITIES	**$ 87,045**	**$ –**	**$ 74,575**	**$ 12,470**	**$ 525**

NOTE 10:

Leases

Future minimum lease payments under capital leases, and the present value of the net minimum lease payments, as of June 30, 2015, are as follows:

CAPITAL LEASES

Year *(Dollars in thousands)*	Future Payments
2016	$ 3,839
2017	3,432
2018	2,113
2019	1,627
2020	1,494
THEREAFTER	4,601
TOTAL MINIMUM LEASE PAYMENTS	17,106
LESS: AMOUNT REPRESENTING INTEREST COSTS	1,290
PRESENT VALUE OF MINIMUM PAYMENTS	**$ 15,816**

Equipment under capital leases were as follows:

(Dollars in thousands)	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015
EQUIPMENT	$ 32,879	$ –	$ 10,292	$ 22,587
LESS ACCUMULATED DEPRECIATION	15,904	3,514	8,331	11,087
LEASED CAPITAL ASSETS, NET	**$ 16,975**	**$ (3,514)**	**$ 1,961**	**$ 11,500**

OPERATING LEASES

The University has certain lease agreements in effect that are considered operating leases, which are primarily for leased building space. During the year ended June 30, 2015, the University recorded rent expense of $44,736,000 for these leases. Future lease payments under these leases as of June 30, 2015 are as follows:

Year *(Dollars in Thousands)*	
2016	$ 49,313
2017	45,886
2018	42,293
2019	32,568
2020	28,134
2021 - 2025	101,240
2026 - 2030	30,961
2031 - 2035	22,228
THEREAFTER	49,304
TOTAL MINIMUM LEASE PAYMENTS	**$ 401,927**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2015 consist of state of Washington General Obligation and Refunding Bonds, University Revenue Bonds, and Notes Payable. These obligations have fixed interest rates ranging from 0.45% to 6.52%. Debt service requirements at June 30, 2015 were as follows:

BONDS AND NOTES PAYABLE *(Dollars in thousands)*

	STATE OF WASHINGTON GENERAL OBLIGATION BONDS		UNIVERSITY OF WASHINGTON REVENUE BONDS		NOTES PAYABLE AND OTHER	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2016	$ 18,290	$ 7,208	$ 41,055	$ 79,896	$ 6,566	$ 963
2017	17,619	6,318	42,370	78,761	5,380	825
2018	14,300	5,422	44,685	77,180	4,193	673
2019	14,345	4,673	46,125	75,253	3,146	538
2020	10,825	4,044	47,215	73,228	3,104	410
2021 - 2025	58,550	11,375	256,270	330,524	6,707	613
2026 - 2030	15,635	989	283,415	264,185	475	14
2031 - 2035	–	–	282,915	194,134	232	–
2036 - 2040	–	–	366,230	113,945	192	–
2041 - THEREAFTER	–	–	298,785	22,488	–	–
TOTAL PAYMENTS	**$ 149,564**	**$ 40,029**	**$1,709,065**	**$1,309,594**	**$ 29,995**	**$ 4,036**

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.

REFUNDING ACTIVITY

On August 21, 2014, the Washington Biomedical Research Properties II refunded Lease Revenue Bonds totaling $118,915,000 with new bond issuances totaling $115,660,000 and premium of $13,263,000. The refunded bonds had coupon rates ranging from 4.40% to 5.50% with an average interest rate of 5.03%; the new bonds have an average interest rate of 4.48%. The refunding decreased the total debt service payments to be made over the next 12.2 years by $15,026,000 and resulted in a total economic gain of $12,572,000. The average life of the Lease Revenue Refunding Bonds, 2014 is 11.95 years with final maturity on June 1, 2038.

On March 4, 2015, the University issued $218,270,000 in General Revenue & Refunding Bonds, 2015 A&B, at a premium of $26,315,000. A portion of the proceeds (new par of $176,090,000 plus premium of $26,396,000) was used to refund existing debt of $190,195,000. The refunded bonds had coupon rates ranging from 4.00% to 5.00% with an average interest rate of 4.98%; the new bonds have an average coupon of 4.22% with an average interest rate of 4.40%. The refunding decreased the total debt service payments to be made over the next 14.92 years by $74,997,000 and resulted in a total economic gain of $38,083,000. The remainder of the proceeds, issued at a slight discount, was used to pay off $42,500,000 in commercial paper. The average life of the 2015 A&B General Revenue bonds is 14.82 years with final maturity on December 1, 2044.

COMMERCIAL PAPER PROGRAM

In July 2006, the Board of Regents authorized a commercial paper program with a maximum borrowing limit of $250,000,000, payable from University general revenues. This short-term borrowing program is primarily used to fund capital expenditures. As of June 30, 2015, there was $161,545,000, in outstanding commercial paper. The University reported $111,545,000 of commercial paper in long-term debt as of June 30, 2015 and refunded this amount on September 9, 2015 with General Revenue Bonds, 2015 C&D.

During fiscal year 2015, the University issued an additional $145,545,000 and retired $42,500,000 of commercial paper debt.

SUBSEQUENT DEBT ACTIVITY

On September 9, 2015, the University issued $195,510,000 in General Revenue Bonds, 2015 C&D, at a premium of $13,279,000. The proceeds were used to fund various projects such as renovation of Denny Hall, construction of Animal Care and Research Facilities, South West Campus Central Utility Plant, and other projects. In addition, proceeds will be used to pay off $111,545,000 in commercial paper. The 2015 C&D bonds have coupon rates ranging from 1.40% to 5.00% with an average coupon rate of 4.03%. The average life of the 2015 C&D General Revenue bonds is 15.60 years with final maturity on December 1, 2045.

On September 24, 2015, the University through Washington Biomedical Research Properties 3.2 sold $132,070,000 in Lease Revenue Bonds, Series 2015, at a premium of $10,926,000. The proceeds were used to fund the design, construction and equipping of a new biomedical research facility and pay the costs of issuance. The 2015 bonds have coupon rates ranging from 1.485% to 5.00% with an average coupon rate of 4.42%. The average life of the 2015 Lease Revenue Bonds is 15.87 years with final maturity on January 1, 2048.

On October 8, 2015, the state of Washington refunded General Obligation Bonds totaling $34,285,000 (UW portion) with new bond issuances totaling $30,145,000 and premium of $4,775,000. The refunded bonds had an average interest rate and coupon rate of 5.0%; the new bonds have an average interest rate and coupon rate of 5.0%. The refunding decreased the total debt service payments to be made over the next 10 years by $5,621,000 and resulted in a total economic gain of $5,230,000.

DEFEASED BONDS

The University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The trust account assets and the liability for the defeased bonds are not included in the University's financial statements. As of June 30, 2015, $252,973,000 of bonds outstanding are considered defeased.

NOTE 12:

Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2015 are summarized as follows:

OPERATING EXPENSES *(Dollars in thousands)*	**2015**
INSTRUCTION	$ 1,113,959
RESEARCH	729,608
PUBLIC SERVICE	35,428
ACADEMIC SUPPORT	336,747
STUDENT SERVICES	43,101
INSTITUTIONAL SUPPORT	215,105
OPERATION & MAINTENANCE OF PLANT	241,719
SCHOLARSHIPS & FELLOWSHIPS	146,570
AUXILIARY ENTERPRISES	291,628
MEDICAL-RELATED	1,203,140
DEPRECIATION/AMORTIZATION	310,960
TOTAL OPERATING EXPENSES	**$ 4,667,965**

Instruction

Instruction includes expenses for all activities that are part of an institution's instruction program. Expenses for credit and noncredit courses; academic, vocational, and technical instruction; and tutorial instruction are included in this category. The University's professional and continuing education programs are also included.

Research

The research category includes all expenses for activities specifically organized to produce research, which are funded by federal, state, and private institutions.

Public Service

Public service includes activities conducted primarily to provide non-instructional services to individuals and groups other than the University and its students, such as community service programs, conferences, institutes and general advisory services.

The activities of the University's public radio stations, Center for Educational Leadership and clinical trials are included in this category.

Academic Support

Academic support includes expenses incurred to provide support services for the institution's primary missions: instruction, research, and public service. The activities of the University's academic administration, libraries, museums and galleries, and information technology support for academic activities are included in this category.

Student Services

The student services category includes the Offices of Admissions and the University Registrar. The activities of the Center for Undergraduate Advising, Diversity, and Student Success, and the operations of the Rubenstein Pharmacy in the student health center are also included in this category.

Institutional Support

The institutional support category includes central activities that manage long-range planning for the institution, such as planning and programming operations, legal services, fiscal operations, space management, procurement and activities concerned with community and alumni relations. The University's central administration departments and information technology support for non-academic activities are included in this category.

Operation and Maintenance of Plant

The operation and maintenance of plant category includes the administration, operation, maintenance, preservation, and protection of the institution's physical plant.

Scholarships and Fellowships

This category includes expenses for scholarships and fellowships and other financial aid not funded from existing University resources. Financial aid funded from existing University resources are considered scholarship allowances, which are reflected as an offset to tuition revenues. Expenditure of amounts received from the Washington State Need grant, Washington Higher Education grant, and Pell grants are reflected in this manner.

Auxiliary Enterprises

Auxiliary enterprises furnish goods or services to students, faculty, staff or the general public. These units charge a fee directly related to the cost of the goods or services. A distinguishing characteristic of an auxiliary enterprise is that it operates as a self-supporting activity. The activities of the University's Intercollegiate Athletics, Commuter Services and Housing and Food Services departments are included in this category.

Medical-related

The medical-related category includes all expenses associated with patient-care operations, including nursing and other professional services, general services, administrative services, and fiscal services. The activities of UWMC, UWP, and Neighborhood Clinics are included in this category (Note 1).

Depreciation/Amortization

Depreciation and amortization reflect a periodic expensing of the cost of capitalized assets such as buildings, equipment, software or other intangible assets, spread over their estimated useful lives.

NOTE 13:

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. The current management contract was set to expire on June 30, 2015, but to facilitate ongoing negotiations of a new agreement, the expiration date has been extended by the parties to the earlier of December 31, 2015 or the date that a new agreement is effective.

Under the contract, the HMC Board of Trustees determines major institutional policies and retains control of programs and fiscal matters, while King County retains ultimate control over capital programs and capital budgets. 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. The University's financial statements do, however, include accounts receivable from HMC of $25,923,000 as of June 30, 2015, as well as HMC investments of $3,467,000, current accrued liabilities of $19,363,000, and long-term liabilities of $22,626,000.

Beginning in fiscal year 2014, UW Medicine information technology began operating as a self-sustaining activity of the University (ITS department). The ITS department began recording enterprise-wide information technology capital assets that are purchased for use by UW Medicine entities. The Due To Related Party reflected in long-term liabilities (Note 9) of $22,626,000 at June 30, 2015 represents HMC's funding of the enterprise-wide information technology which will be included in the recharge rates of the ITS department over the useful life of the asset.

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 2015, the UWF transferred $82,502,000, 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 $2,818,000 from the University in support of its operations in fiscal year 2015. The University expensed this amount in fiscal year 2015.

During fiscal year 2015, UWMC provided $3,444,000 to NWH for strategic support of operations. These amounts are presented in the Statements of Revenues, Expenses and Changes in Net Position for the University as Other Nonoperating Expense and for NWH as Other Nonoperating Revenue.

During fiscal year 2015, NWH entered into a long-term financing agreement with the University to obtain funds for the defeasance and advance refunding of Series 2007 Revenue Bonds. Under the terms of this agreement, NWH is required to maintain annual debt service coverage equal to at least 1.25 and days cash on hand equal to at least 50 days. As of June 30, 2015, $71,306,000 is payable to the University as a result of this financing agreement. The portion which is due in fiscal year 2016 is reported by NWH as Other Current Liabilities, and by the University as Other Current Assets, on the Statements of Net Position as of June 30, 2015. The remaining long-term portion is reported on the Statements of Net Position by NWH as Due to Primary Government and by the University as Due from Discrete Component Units.

In addition, as of June 30, 2015, NWH has a payable to the University of $29,402,000 for services purchased from the University during the current and prior fiscal years. Payments to the University will occur each fiscal year beginning in 2016, with the first payment of $5,000,000 made in August 2015. The portion of the payable paid subsequent to year end is reported by NWH as Other Current Liabilities, and by the University as Other Current Assets, on the Statements of Net Position as of June 30, 2015. The remaining long-term portion is reported on the Statements of Net Position by NWH as Due to Primary Government and by the University as Due from Discrete Component Units.

NOTE 14:

Other Post Employment Benefits (OPEB)

Healthcare and life insurance programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The healthcare premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of retirees.

An additional factor in the OPEB obligation is a payment that is required by the state legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This amount was $150 dollars per retiree eligible for parts A and B of Medicare for calendar year 2015. This is also passed through to state agencies through active employee rates charged to the agency.

There is no formal state or University plan that underlies the subsidy of retiree health and life insurance.

ACTUARIAL STUDY

Actuarial studies, performed every two years by the Washington Office of the State Actuary, calculated that the total OPEB obligation of the state of Washington at January 1, 2015 and 2013 was $5.3 billion and $3.7 billion, respectively. The annual required contribution was $498 million and $342 million for the state of Washington for 2015 and 2013, respectively. The actuary calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data.

The actuary's allocation of the cumulative statewide liability related to the University and HMC (an unconsolidated related party), was estimated at approximately $997 million and $671 million for 2015 and 2013, respectively. These amounts are not included in the University's financial statements.

The University paid $248 million for healthcare expenses in fiscal year 2015, which included its pay-as-you-go portion of the OPEB liability, calculated by the actuary at $7.9 million in fiscal year 2015.

The State Actuary's report is available at: osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm

NOTE 15:

Pension Plans

The University offers four contributory pension plans: the Washington State Public Employees' Retirement System (PERS) plan, the Washington State Teachers' Retirement System (TRS) plan, and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plan, cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Department of Retirement Systems, and the University of Washington Retirement Plan (UWRP), a defined contribution plan. The University of Washington Supplemental Retirement Plan, a defined benefit pension plan which operates in tandem with the UWRP, is closed to new participants.

PLAN DESCRIPTIONS

Public Employees' Retirement System (PERS) was established in 1947 and its 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.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. 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, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

Teachers' Retirement System (TRS) was established in 1938 and its 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 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.

TRS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. 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, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 and its 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.

FIDUCIARY NET POSITIONS

The pension plans' fiduciary net positions have been determined on the same basis used by the pension plans. Washington State Department of Retirement Systems (DRS) financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The retirement plans are accounted for in pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Plan 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.

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

DRS publishes an annual report for retirement plans which is available at: http://www.drs.wa.gov/administration/annual-report/

ACTUARIAL ASSUMPTIONS

The total pension liability for each plan was determined by an actuarial valuation as of June 30, 2013, with the results rolled forward to June 30, 2014. The following actuarial assumptions have been applied to all prior periods included in the measurement:

INFLATION	3.0% TOTAL ECONOMIC INFLATION, 3.75% SALARY INFLATION
SALARY INCREASE	EXPECTED TO GROW BY PROMOTIONS AND LONGEVITY IN ADDITION TO SALARY INFLATION ASSUMPTION
INVESTMENT RATE OF RETURN	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Washington State Office of the State Actuary (OSA) applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of OSA's 2007-2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

DISCOUNT RATE

The discount rate used to measure the total pension liabilities was 7.50% for all plans in which the University participates. To determine the discount rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency tests for PERS and TRS included an assumed 7.70% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. LEOFF 2 included an assumed 7.50% long-term discount rate to determine the associated funding liabilities.

Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are 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).

Based on those assumptions, the fiduciary net position for each pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50% on pension plan investments was applied to determine the total pension liability.

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

The following table presents the University's net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

DISCOUNT RATE SENSITIVITY – NET PENSION LIABILITY (ASSET) *(Dollars in thousands)*			
Plan	**1% Decrease**	**Current Discount Rate**	**1% Increase**
PERS 1	$514,278	$417,231	$333,926
PERS 2/3	$843,524	$202,225	($287,608)
TRS 1	$ 3,707	$ 2,881	$ 2,172
TRS 2/3	$ 2,191	$ 252	($1,189)
LEOFF 2	$ 1,217	($2,844)	($5,891)

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return of 7.50% on pension plan investments was determined by the WSIB. The rate approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit, small, short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a 10- to 15-year period, becomes amplified over a 50-year measurement period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The long-term expected rate of return 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 by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs).

The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

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 June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
FIXED INCOME	20.00%	0.80%
TANGIBLE ASSETS	5.00%	4.10%
REAL ESTATE	15.00%	5.30%
GLOBAL EQUITY	37.00%	6.05%
PRIVATE EQUITY	23.00%	9.05%

The inflation component used to create the above table is 2.70%, and represents WSIB's most recent long-term estimate of broad economic inflation.

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.

UNIVERSITY PROPORTIONATE SHARE

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the University as of June 30, 2015 was June 30, 2014. University contributions received and processed by DRS during the fiscal year ended June 30, 2014 have been used as the basis for determining the University's proportionate share of the collective pension amounts reported by DRS in their June 30, 2014 Schedules of Employer and Nonemployer Allocations for all plans in which the University participates.

Plan	Proportionate Share for Year ended June 30, 2015
PERS 1	8.28%
PERS 2/3	10.00%
TRS 1	0.10%
TRS 2/3	0.08%
LEOFF 2	0.21%

UNIVERSITY AGGREGATED BALANCES

The University's aggregated balances of net pension liabilities, net pension assets, and deferrals as of June 30, 2015 are presented in the table below.

JUNE 30, 2015 *(Dollars in thousands)*

	Net Pension Liability	Net Pension Asset	Deferred Outflows	Deferred Inflows
PERS 1	$ 417,231	$ –	$ 38,503	$ 52,172
PERS 2/3	202,225	–	45,896	214,360
TRS 1	2,881	–	286	505
TRS 2/3	252	–	618	578
LEOFF 2	–	2,844	299	1,520
TOTAL	**$ 622,589**	**$ 2,844**	**$ 85,602**	**$ 269,135**

PERS Plan 1

PERS Plan 1 is closed to new entrants.

VESTING

PERS Plan 1 members were vested after the completion of five years of eligible service.

BENEFITS PROVIDED

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent 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 consecutive service months. 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. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The PERS Plan 1 employer contribution rate for the fiscal year ended June 30, 2015 was 9.21%. The University's contributions to PERS Plan 1 for the year ended June 30, 2015 were $38,503,000.

PROPORTIONATE SHARE OF PERS 1 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of PERS Plan 1 pension expense for the fiscal year ended June 30, 2015 was $23,023,000, and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to PERS Plan 1 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 52,172
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	38,503	–
TOTAL	$ 38,503	$ 52,172

Deferred outflows of resources related to University contributions subsequent to the measurement date of $38,503,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred inflows of resources pertaining to PERS Plan 1 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (13,043)
2017	(13,043)
2018	(13,043)
2019	(13,043)
2020	–
THEREAFTER	–
TOTAL	**$ (52,172)**

PERS Plan 2/3

VESTING

PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

BENEFITS PROVIDED

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2, and one percent of AFC times the member's years of service for Plan 3.

The AFC is the monthly average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age, for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost- of-living allowance (based on the Consumer Price Index) capped at three percent annually, and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The PERS Plan 2/3 employer contribution rate for the fiscal year ended June 30, 2015 was 9.21%. The Plan 2/3 employer rate includes a component to address the PERS Plan 1 unfunded actuarial accrued liability. The University's contributions to PERS Plan 2/3 for the year ended June 30, 2015 were $45,486,000 as determined by rates established in accordance with RCW 41.45.

PROPORTIONATE SHARE OF PERS 2/3 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of PERS Plan 2/3 pension expense for the fiscal year ended June 30, 2015 was $32,567,000, and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to PERS Plan 2/3 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 214,360
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	410	–
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	45,486	–
TOTAL	**$ 45,896**	**$ 214,360**

Deferred outflows of resources related to University contributions subsequent to the measurement date of $45,486,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources pertaining to PERS Plan 2/3 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (53,473)
2017	(53,473)
2018	(53,473)
2019	(53,531)
2020	–
THEREAFTER	–
TOTAL	**$ (213,950)**

TRS Plan 1

TRS Plan 1 is closed to new entrants.

VESTING

TRS Plan 1 members were vested after the completion of five years of eligible service.

BENEFITS PROVIDED

TRS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC, for each year of service credit, up to a maximum of 60 percent, divided by twelve.

The AFC is the average of the member's earnable compensation for the two consecutive highest-paid fiscal years. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The TRS Plan 1 employer contribution rate for the fiscal year ended June 30, 2015 was 10.39%. The University's contributions to TRS Plan 1 for the year ended June 30, 2015 were $286,000.

PROPORTIONATE SHARE OF TRS PLAN 1 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of TRS Plan 1 pension expense for the fiscal year ended June 30, 2015 was $1,052,000, and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to TRS Plan 1 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 505
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	286	–
TOTAL	**$ 286**	**$ 505**

Deferred outflows of resources related to University contributions subsequent to the measurement date of $286,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred inflows of resources pertaining to TRS Plan 1 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (126)
2017	(126)
2018	(126)
2019	(127)
2020	–
THEREAFTER	–
TOTAL	**$ (505)**

TRS Plan 2/3

VESTING

TRS Plan 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

BENEFITS PROVIDED

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2, and one percent of AFC for Plan 3.

The AFC is the monthly average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules

TRS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other TRS Plan 2/3 benefits include duty and non-duty disability payments, a cost- of-living allowance (based on the Consumer Price Index) capped at three percent annually, and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The TRS Plan 2/3 employer contribution rate for the fiscal year ended June 30, 2015 was 10.39%. The Plan 2/3 employer rate includes a component to address the TRS Plan 1 unfunded actuarial accrued liability. The University's contributions to TRS Plan 2/3 for the year ended June 30, 2015 were $307,000.

PROPORTIONATE SHARE OF TRS 2/3 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of TRS Plan 2/3 pension expense for the fiscal year ended June 30, 2015 was $237,000, and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to TRS Plan 2/3 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 578
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	311	–
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	307	–
TOTAL	**$ 618**	**$ 578**

Deferred outflows of resources related to University contributions subsequent to the measurement date of $307,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources pertaining to TRS Plan 2/3 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (77)
2017	(77)
2018	(77)
2019	(77)
2020	41
THEREAFTER	–
TOTAL	**$ (267)**

LEOFF Plan 2

VESTING

LEOFF Plan 2 members are vested after completing five years of eligible service.

BENEFITS PROVIDED

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 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 the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF plan 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually, and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The LEOFF Plan 2 employer contribution rate for the fiscal year ended June 30, 2015 was 8.59%. The University's contributions to LEOFF Plan 2 for the year ended June 30, 2015 were $299,000.

PROPORTIONATE SHARE OF LEOFF 2 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of LEOFF Plan 2 pension expense for the fiscal year ended June 30, 2015 was ($144,000), and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to LEOFF Plan 2 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 1,505
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	–	15
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	299	–
TOTAL	**$ 299**	**$ 1,520**

Deferred outflows of resources related to University contributions subsequent to the measurement date of $299,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred inflows of resources pertaining to LEOFF Plan 2 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (379)
2017	(379)
2018	(379)
2019	(379)
2020	(3)
THEREAFTER	(1)
TOTAL	**$ (1,520)**

University of Washington Retirement Plan (403(B))

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

403(B) PLAN DESCRIPTION

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

The number of participants in the 403 (b) plan for the year ended June 30, 2015 was 15,415.

403(B) FUNDING POLICY

Employee contribution rates, based on age, are 5%, 7.5% or 10% of salary. The University matches the contributions of employees. Within parameters established by the legislature, contribution requirements may be established or amended by the University of Washington Board of Regents. Employee and employer contributions for the year ended June 30, 2015 were $105,266,000.

University Of Washington Supplemental Retirement Plan (401(A))

The University of Washington Supplemental Retirement Plan (UWSRP), a 401(a) defined-benefit retirement plan, operates in tandem with the 403(b) plan to supplement the expected defined contribution retirement savings accumulated under the UWRP. The UWSRP was closed to new participants effective March 1, 2011.

The Unfunded Actuarial Accrued Liability (UAL) and Annual Required Contribution (ARC) as of July 1 of the respective years were:

(Dollars in thousands)	**2015**	**2013**
UAL	$ 373,711	$ 292,535
NORMAL COST	$ 14,250	$ 9,529
AMORTIZATION OF UAL, INCLUDING INTEREST	38,807	29,021
ARC	**$ 53,057**	**$ 38,550**

Actuarial Assumptions *(Dollars in thousands)*	**2015**	**2013**
PAYROLL COVERED BY PLAN	$ 1,050,000	$ 1,047,000
RATE OF RETURN ASSUMPTION	4.00%	4.25%
SALARY INCREASES FOR YEARS 1 AND 2	3.75%	3.00%
SALARY INCREASE FOR THIRD YEAR	3.75%	3.00%
SALARY INCREASES THEREAFTER	3.75%	3.00%

The UAL and ARC were established using the entry age normal cost method.

The following table reflects the activity in the UWSRP Net Pension Obligation for the years ended June 30, 2015 and 2014:

(Dollars in thousands)	**2015**	**2014**
BALANCE AT BEGINNING OF FISCAL YEAR	$ 198,895	$ 163,372
ARC	53,057	38,550
PAYMENTS TO BENEFICIARIES	(3,766)	(3,027)
BALANCE AT END OF FISCAL YEAR	**$ 248,186**	**$ 198,895**

401(A) PLAN DESCRIPTION

This plan provides for a supplemental payment component, which guarantees a minimum retirement benefit based upon a one-time calculation at each eligible participant's retirement date. The University makes direct payments to qualifying retirees when the retirement benefits provided by the 403(b) plan do not meet the benefit goals.

401(A) PLAN FUNDING

The University received an actuarial valuation of the UWSRP with a valuation date of July 1, 2015. The previous evaluations were performed in 2013 and 2011. The University has set aside $188,881,000 as of June 30, 2015, for this liability. These funds do not meet the GASB technical definition of "Plan Assets" since they have not been segregated and restricted in a trust or equivalent arrangement. The UAL shown in the table above, therefore, does not reflect a credit for these amounts.

NOTE 16:

Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2015 was $157,034,000. These expenditures will be funded from local funds, 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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." 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 effect on the University's financial statements.

The University is exposed to risk of loss related to tort liability, injuries to employees and loss of property. The University purchases insurance protection for workers' compensation as well as marine, aviation and certain other risks. The University also purchases insurance protection for loss of property at self-sustaining units, bond-financed buildings and where otherwise required by contract; otherwise, the risk of property loss is retained, unfunded. For medical professional, general, employment practices and automobile liability, the University maintains a program of self-insurance reserves and excess insurance coverage. The self-insurance reserve represents the estimated ultimate cost of settling claims resulting from events that have occurred on or before the Statement 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 through an actuarial calculation and included in Long-Term Liabilities. Changes in the self-insurance reserve for the year ended June 30, 2015 are noted below:

(Dollars in thousands)	**2015**
RESERVE AT BEGINNING OF FISCAL YEAR	$ 67,450
INCURRED CLAIMS AND CHANGES IN ESTIMATES	29,495
CLAIM PAYMENTS	(14,744)
RESERVE AT END OF FISCAL YEAR	**$ 82,201**

NOTE 17:

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, 2015**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
ASSETS						
CURRENT ASSETS:						
TOTAL CURRENT ASSETS	$ 1,402,322	$ (22,327)	$ 1,355,339	$ 69,310	$ 66,437	$ 2,873
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	4,786,897	–	4,675,492	111,405	86,557	24,848
CAPITAL ASSETS, NET	4,172,378	–	3,878,199	294,179	15,251	278,928
TOTAL ASSETS	10,361,597	(22,327)	9,909,030	474,894	168,245	306,649
DEFERRED OUTFLOWS OF RESOURCES	111,415	–	111,415	–	–	–
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$10,473,012**	**$ (22,327)**	**$10,020,445**	**$ 474,894**	**$ 168,245**	**$ 306,649**
LIABILITIES						
TOTAL CURRENT LIABILITIES	$ 998,318	$ (31,313)	$ 932,905	$ 96,726	$ 66,701	$ 30,025
TOTAL NONCURRENT LIABILITIES	3,159,096	–	2,864,897	294,199	–	294,199
TOTAL LIABILITIES	4,157,414	(31,313)	3,797,802	390,925	66,701	324,224
DEFERRED INFLOWS OF RESOURCES	269,135	–	269,135	–	–	–
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,426,549	(31,313)	4,066,937	390,925	66,701	324,224
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,156,229	–	2,155,933	296	15,251	(14,955)
RESTRICTED:						
NONEXPENDABLE	1,321,979	–	1,321,979	–	–	–
EXPENDABLE	1,699,135	–	1,699,135	–	–	–
UNRESTRICTED	869,120	8,986	776,461	83,673	86,293	(2,620)
TOTAL NET POSITION	6,046,463	8,986	5,953,508	83,969	101,544	(17,575)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$10,473,012**	**$ (22,327)**	**$10,020,445**	**$ 474,894**	**$ 168,245**	**$ 306,649**

(Dollars in thousands)

Statements of Revenues, Expenses and Changes in Net Position – Year ended June 30, 2015	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	$ 914,419	$ –	$ 914,419	$ –	$ –	$ –
NET PATIENT SERVICE REVENUES	1,362,279	(8,913)	1,151,404	219,788	219,788	–
GRANT REVENUE	1,280,658	–	1,280,658	–	–	–
OTHER OPERATING REVENUE	659,342	(25,677)	647,790	37,229	299	36,930
TOTAL OPERATING REVENUE	**4,216,698**	**(34,590)**	**3,994,271**	**257,017**	**220,087**	**36,930**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	4,357,005	(33,911)	4,126,060	264,856	251,450	13,406
DEPRECIATION / AMORTIZATION	310,960	–	293,441	17,519	1,666	15,853
TOTAL OPERATING EXPENSES	**4,667,965**	**(33,911)**	**4,419,501**	**282,375**	**253,116**	**29,259**
OPERATING INCOME (LOSS)	**(451,267)**	**(679)**	**(425,230)**	**(25,358)**	**(33,029)**	**7,671**
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	255,156	–	255,156	–	–	–
GIFTS	115,636	–	115,636	–	–	–
INVESTMENT INCOME	227,404	–	231,471	(4,067)	(4,067)	–
OTHER NONOPERATING REVENUES (EXPENSES)	(21,746)	394	(34,144)	12,004	31,674	(19,670)
NET NONOPERATING REVENUES (EXPENSES)	**576,450**	**394**	**568,119**	**7,937**	**27,607**	**(19,670)**
INCOME (LOSS) BEFORE OTHER REVENUES	**125,183**	**(285)**	**142,889**	**(17,421)**	**(5,422)**	**(11,999)**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	42,798	–	42,798	–	–	–
GIFTS TO PERMANENT ENDOWMENTS	67,359	–	67,359	–	–	–
TOTAL OTHER REVENUES	**110,157**	**–**	**110,157**	**–**	**–**	**–**
INCREASE (DECREASE) IN NET POSITION	**235,340**	**(285)**	**253,046**	**(17,421)**	**(5,422)**	**(11,999)**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	5,811,123	9,271	5,700,462	101,390	106,966	(5,576)
NET POSITION – END OF YEAR	**$ 6,046,463**	**$ 8,986**	**$ 5,953,508**	**$ 83,969**	**$ 101,544**	**$ (17,575)**

(Dollars in thousands)

Statements of Cash Flows – Year ended June 30, 2015	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	$ (116,356)	$ (9,728)	$ (93,223)	$ (13,405)	$ (18,746)	$ 5,341
NONCAPITAL FINANCING ACTIVITIES	412,979	–	389,898	23,081	23,081	–
CAPITAL AND RELATED FINANCING ACTIVITIES	(420,195)	–	(412,579)	(7,616)	(1,612)	(6,004)
INVESTING ACTIVITIES	127,349	–	129,076	(1,727)	(1,727)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,777**	**(9,728)**	**13,172**	**333**	**996**	**(663)**
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	79,128	–	60,401	18,727	17,038	1,689
CASH AND CASH EQUIVALENTS – END OF THE YEAR	**$ 82,905**	**$ (9,728)**	**$ 73,573**	**$ 19,060**	**$ 18,034**	**$ 1,026**

NOTE 18:

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, 2015		
	Total Discrete Component Units	**Northwest Hospital**	**Valley Medical Center**
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS:			
TOTAL CURRENT ASSETS	$ 238,178	$ 78,426	$ 159,752
NONCURRENT ASSETS:			
TOTAL OTHER ASSETS	176,921	48,895	128,026
CAPITAL ASSETS, NET	467,701	117,735	349,966
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,435	6,435	–
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$ 889,235**	**$ 251,491**	**$ 637,744**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
TOTAL CURRENT LIABILITIES	$ 141,904	$ 52,083	$ 89,821
TOTAL NONCURRENT LIABILITIES	413,472	105,185	308,287
TOTAL DEFERRED INFLOWS OF RESOURCES	9,625	–	9,625
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**565,001**	**157,268**	**407,733**
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	67,033	33,864	33,169
RESTRICTED:			
NONEXPENDABLE	1,943	1,943	–
EXPENDABLE	8,471	459	8,012
UNRESTRICTED	246,787	57,957	188,830
TOTAL NET POSITION	324,234	94,223	230,011
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 889,235**	**$ 251,491**	**$ 637,744**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position**	Year Ended June 30, 2015		
	Total Discrete Component Units	**Northwest Hospital**	**Valley Medical Center**
REVENUES			
OPERATING REVENUES:			
NET PATIENT SERVICE REVENUES	$ 822,421	$ 341,405	$ 481,016
OTHER OPERATING REVENUE	53,165	15,649	37,516
TOTAL OPERATING REVENUE	**875,586**	**357,054**	**518,532**
EXPENSES			
OPERATING EXPENSES:			
OTHER OPERATING EXPENSES	816,563	352,124	464,439
DEPRECIATION / AMORTIZATION	49,238	18,027	31,211
TOTAL OPERATING EXPENSES	**865,801**	**370,151**	**495,650**
OPERATING INCOME (LOSS)	**9,785**	**(13,097)**	**22,882**
NONOPERATING REVENUES (EXPENSES)			
PROPERTY TAX REVENUE	18,132	–	18,132
INVESTMENT INCOME	4,385	981	3,404
OTHER NONOPERATING EXPENSES	(22,032)	6,769	(28,801)
NET NONOPERATING REVENUES (EXPENSES)	**485**	**7,750**	**(7,265)**
INCOME (LOSS) BEFORE OTHER REVENUES	**10,270**	**(5,347)**	**15,617**
CAPITAL GRANTS, GIFTS AND OTHER	169	169	–
INCREASE (DECREASE) IN NET POSITION	**10,439**	**(5,178)**	**15,617**
NET POSITION			
NET POSITION – BEGINNING OF YEAR	313,795	99,401	214,394
NET POSITION – END OF YEAR	**$ 324,234**	**$ 94,223**	**$ 230,011**

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

(Dollars in thousands)	**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.28%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 417,231
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 25,376
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	1644.20%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	61.19%

Schedule of Proportionate Share of the Net Pension Liability

TRS 1

(Dollars in thousands)	**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.10%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 2,881
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 514
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	560.51%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	68.77%

Schedule of Contributions

PERS 1

(Dollars in thousands)	**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 2,311
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 2,313
CONTRIBUTION DEFICIENCY (EXCESS)	$ (2)
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 25,376
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	9.11%

Schedule of Contributions

TRS 1

(Dollars in thousands)	**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 51
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 51
CONTRIBUTION DEFICIENCY (EXCESS)	$ –
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 514
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	9.92%

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

(Dollars in thousands)	**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	10.00%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 202,225
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 856,839
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	23.60%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	93.29%

Schedule of Proportionate Share of the Net Pension Liability

TRS 2/3

(Dollars in thousands)	**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.08%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 252
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 3,391
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	7.43%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	96.81%

Schedule of Contributions

PERS 2/3

(Dollars in thousands)	**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 78,164
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 78,160
CONTRIBUTION DEFICIENCY (EXCESS)	$ 4
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 856,839
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	9.12%

Schedule of Contributions

TRS 2/3

(Dollars in thousands)	**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 341
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 343
CONTRIBUTION DEFICIENCY (EXCESS)	$ (2)
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 3,391
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	10.06%

Schedule of Proportionate Share of the Net Pension Liability (Asset)

LEOFF 2

(Dollars in thousands)		**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)		0.21%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	$	(2,844)
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	3,581
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL		(79.42%)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY		116.75%

Schedule of Contributions

LEOFF 2

(Dollars in thousands)		**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$	308
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$	308
CONTRIBUTION DEFICIENCY (EXCESS)	$	–
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	3,581
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		8.60%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms.
Amounts reported in 2015 reflect no change in benefit terms.

Changes of assumptions.
Amounts reported in 2015 reflect no changes in assumptions.

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